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FEDERAL ROLE IN CHILD CARE

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

SEPTEMBER 22, 1988

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CONTENTS

OPENING STATEMENTS

Page
Matsunaga, Hon. Spark M. a U.S. Senator from Hawaii 1
Packwood, Hon. Bob, a U.S. Senator from Oregon 2
Heinz, Hon. John, a U.S. Senator from Pennsylvania 3
Rockefeller, Hon. John D. IV, a U.S. Senator from West Virginia 4
Durenberger, Hon. Dave, a U.S. Senator from Minnesota 4
Wallop, Hon. Malcolm, a U.S. Senator from Wyoming 5
Roth, Hon. William V. Jr., a U.S. Senator from Deleware 11
Chafee, Hon. John H., a U.S. Senator from Rhode Island 13
Daschle, Hon. Tom, a U.S. Senator from South Dakota 13

COMMITTEE PRESS RELEASE

Federal Role in Child Care 1

ADMINISTRATION WITNESSES

O'Connell, Martin, Chief of the Fertility Statistics Branch, Population Division, U.S. Bureau of the Census, Washington, DC 8

PUBLIC WITNESSES

Kahn, Dr. Alfred J., professor, Social Policy and Planning, Columbia University, New York, NY 7
Besharov, Douglas J., resident scholar, American Enterprise Institute, Washington, DC 10
Wilson, Hon. Pete, a U.S. Senator from California 12
Edelman, Marian Wright, president, Children's Defense Fund, Washington, DC 23
Plihcik, Suzanne B., member board of directors and chairman, Public Policy Committee, Association of Junior Leagues, Inc., Greensboro, NC 25
Seidman, Bert, director, Department of Occupational Safety, Health and Social Security, AFL-CIO, Wasington, DC 28
Rector, Robert E., policy analyst for social welfare and urban affairs, Heritage Foundation, Washing, DC 30
Montgomery, Forest D., counsel, Office of Public Affairs, National Association of Evangelicals, Washington, DC 39
Brozman, Jack L., president, La Petite Academy, Kansas City, MO 40
Muscari, Ann, Vice President for Corporate Communications, Kinder-Care Learning Centers, Inc., Montgomery, AL 42

APPENDIX

Alphabetical Listing and Material Submitted

Besharov, Douglas J.:
  Testimony 10
  Prepared statement 49

Page
Boschwitz, Hon. Rudy:
    Prepared statement 59
Brozman, Jack L.:
    Testimony 40
    Prepared statement 61
Chafee, Hon. John H.:
    Opening statement 13
    Prepared statement 66
Daschle, Hon. Tom:
    Opening statement 13
Durenberger, Hon. Dave:
    Opening statement 4
    Prepared statement 70
Edelman, Marian Wright:
    Testimony 23
    Prepared statement 72
Heinz, Hon. John:
    Opening statement 3
    Prepared statement 81
Kahn, Dr. Alferd J.:
    Testimony 7
    Prepared statement 84
    Answers to questions from Senator Matsunaga 101
    Paper written by Sheila B. Kamerman and Alfred J. Kahn 104
Matsunaga, Hon. Spark M.:
    Opening statement 1
McCallum, Hon. Scott:
    Prepared statement 119
Montgomery, Forest D.:
    Testimony 39
    Prepared statement 125
Moynihan, Daniel Patrick:
    Prepared statement 127
Muscari, Ann:
    Testimony 42
    Prepared statement 113
O'Connell, Martin:
    Testimony 8
    Prepared statement 132
Packwood, Hon. Bob:
    Opening statement 2
Plihcik, Suzanne B.:
    Testimony 25
    Prepared statement 140
Rector, Robert E.;
    Testimony 30
    Prepared statement 150
    Article from the Heritage Foundation 161
Rockefeller, Hon. John D. IV:
    Opening statement 4
    Prepared statement 174
Roth, Hon. William V. Jr.:
    Opening statement 11
Seidman, Bert:
    Testimony 28
    Prepared statement 175
Wallop, Hon. Malcolm:
    Opening statement 5
    Prepared statement 180

Page

Wilson, Hon. Pete:
  Testimony 12
  Prepared statement 185
  News releases 190, 191
  Article from the Congressional Record, Aug. 10, 1988 196

COMMUNICATIONS

American Medical Association 204
Baptist Joint Committee on Public Affairs 205
National Eligibility Workers Association 208
Peter Paul & Lori Mendel 210
Rebecca Steichen Bolene 212
Phyllis Schlafly 213
The Urban Institute 217

FEDERAL ROLE IN CHILD CARE

THURSDAY, SEPTEMBER 22, 1988

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing of the Committee on Finance was convened, pursuant to notice, at 2:00 p.m., in Room SD–215, Dirksen Senate Office Building, Hon. Spark M. Matsunaga presiding.

Present: Senators Matsunaga, Rockefeller, Daschle, Packwood, Roth, Chafee, Heinz, Wallop, Durenberger.

Also present: Senator Pete Wilson.

[The prepared statement of Senator Wallop appears in the appendix.]

[The press release announcing the hearing follows:]

[Press Release No. H-35, September 7, 1988]

BENTSEN ANNOUNCES FINANCE COMMITTEE HEARING ON THE FEDERAL ROLE IN CHILD CARE

WASHINGTON, DC—Senator Lloyd Bentsen (D., Texas), Chairman, announced Monday that the Senate Finance Committee will hold a hearing to examine the role of the Federal Government on child care services, and to review several proposed changes to current law on issues relating to child care.

Bentsen said: "Today, the mothers of our Nation's preschool-age children are in the labor force, and three-fifths of all children have mothers who are either working or looking for work. A substantial share of the cost of providing child care for theses children is being met through provisions of the law under the jurisdiction of the Committee on Finance. These include the child care tax credit, the Social Services block grant program, employment and training programs for welfare recipients, and the child welfare service program. This Committee therefore has a special responsibility to examine issues relating to the role of the Federal Government in meeting the growing need for child care services."

The Committee will hear testimony on various proposals to modify the provisions of current law relating to child care.

OPENING STATEMENT OF HON. SPARK M. MATSUNAGA, A U.S. SENATOR FROM HAWAII

Senator MATSUNAGA. We are here today to hear witnesses, experts and Senators, on the Federal role in child care. It has been over 19 years since Congress seriously considered a major piece of legislation addressing the availability, affordability and quality of child care. It was in 1971 that President Nixon vetoed the Mondale/Brademas anti-poverty bill which included a $2 billion program to provide educational, nutritional, and health services for pre-school children.

We cannot continue to ignore the needs of the youngest segment of our population and their families. The gap between the demand for child care and the supply of quality care is growing.

The number of women, many of them single parents, returning to the work force while their babies are less than a year old has increased by 95 percent between 1970 and 1986. Economic survival is the driving force behind these working mothers. Two-thirds of women in the labor force with pre-school children are either the family's sole wage earner, or are supplementing a family income of $15,000 a year or less.

This situation is particularly acute in my State of Hawaii where the cost of living is much higher than the national average. Sixty-two (62%) percent of the families in Hawaii are comprised of two or more workers, the highest in the Nation.

Much of the cost of providing for child care is being met through programs under the jurisdiction of the Committee on Finance, including the social services block grant, employment and training programs for welfare recipients, and child welfare service programs.

The largest source of direct Federal support for State child care programs is the social services block grant or Title XX. Child care is one of many social services supported by Title XX.

In 1976 Congress enacted the child care tax credit. Indirect funding of this tax credit, estimated by the Labor Department at $3.9 billion in 1988 provides the most extensive government support for child care. The Tax Code also includes 1981 provisions designed to stimulate employer-assisted child care.

Today, in examining proposals to modify the provisions of current law relating to child care the Committee will hear testimony from and have the opportunity to question experts and advocates in this field. As an original cosponsor of S. 1885, the ABC bill, I am heartened that Congress is no longer debating this as an issue of high priority but rather how best to take action on child care.

Before I call upon the first panel I would ask if any of the members have any opening statement to make.

Senator Packwood.

OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON

Senator Packwood. Thank you, Mr. Chairman. This is an issue that is not new to this Committee. Under Title XX we have been providing day care for a good period of time. The day care credits that exist in the current tax law I can take some pride in being one of the parents of those day care credits.

I think as we look at expanded day care now, to be funded by the Federal Government—and there is no question that it is going to be questioned by the Federal Government—there are two principal issues.

One, are we going to impose compulsory national standards on all of those who provide day care in the country—at least impose standards upon those who wish to receive any Federal assistance—or are we going to leave that to local governments and the States.

Two, are we going to attempt to exclude religious day care providers from any kind of Federal assistance, solely because they happen to be religious day care providers.

A number of bills now before the Senate take different approaches to those subjects, but I think those are the two main issues. Although the bills tilt a bit more toward the poor than they do toward the rich, all of them realize there is going to be day care. All of them realize the Federal Government is going to partially fund it—in some cases wholly fund it for some income levels. But the issue of national standards, and especially the issue of religion, I think, are going to be divisive unless we can find some common compromise ground that has not yet appeared.

Thank you, Mr. Chairman.

Senator MATSUNAGA. Senator Heinz.

OPENING STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM PENNSYLVANIA

Senator HEINZ. Thank you, Mr. Chairman.

Mr. Chairman, some weeks ago I introduced a child care bill that I think takes the best of the competing proposals that are here before us in the Senate.

On the one hand we have the tax credit proposed by George Bush, on the other hand there is proposed more help for the poor and needy through direct grants. I combined both into a bill, "The Partnerships in Child Care Act." And when I had a press availability in the State on two different occasions, in two different parts of my State over last 3 or 4 weeks, members of the news media came to me, and said, Senator you have introduced a bill. There are other bills—the ABC bill, Senator Packwood has a bill. Why all this sudden interest in child care? Is it because it is an election year?

And I said, no it is not because it is an election year, although there probably are some people who want to make an electoral issue out of it. I said, it is belated recognition that the home has changed.

In 1950 one out of every ten women with children worked outside the home. Today, it is six out of ten and that includes an many women who are single parents. And as a result, Congress is giving belated recognition to a problem that has been building.

Bob Packwood was one of the early people advocating improvements in the child and dependent care tax credit to start the ball rolling. It is my hope that out of these hearings, and out of the deliberations we will subsequently have, if not this year then certainly next we will develop a national consensus. Which I hope includes expanding substantially the child and dependent care tax credit and provides, as I propose to do, about 50 percent more money through Title XX for child care going to the very poor.

All of these bills add up to about the same price tag. And since they all do seem to add up to the same price tag with very minor exceptions, I am very optimistic that at some point we will achieve that consensus.

Senator MATSUNAGA. Senator Rockefeller, do you have an opening statement?

OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER, IV, A U.S. SENATOR FROM WEST VIRGINIA

Senator ROCKEFELLER. A brief one, Mr. Chairman.

In West Virginia we have 14 counties that have no child care centers whatsoever. Another 20 counties have only one child care center. It is a very bad situation. I am conferee on the Welfare Reform Act and it is extremely obvious that it is very difficult to expect, much less require, mothers who are trying to get out on their own to take education, to take training, to learn basic skills when they have young children at home. Child care has to be a part of welfare reform; child care has to be a part of what Senator Heinz referred to—the American reaction in terms of the changing nature of the family.

I know that the people of our country want that. And I also know that it is expensive. I know that there are over 100 bills on this subject and that certainly has to indicate a lot, even though it's an election year.

I happen to support the Dodd bill. I do not know how far it is going to get this year. I think the question that Senator Packwood raises of the matter of religion is a very interesting and important one. I do know that we will be listening so we can learn more about it and I look forward to that.

It is a year that we either have to do something, or in which we have to lay the base for doing something next year. The problem is severe. It is not going to go away. Mothers are not going to be returning to the home. They are going to work because they have no other economic choice and we will have to respond to that as best we can.

Thank you.

Senator MATSUNAGA. Senator Durenberger, do you have anything?

OPENING STATEMENT OF HON. DAVID DURENBERGER, A U.S. SENATOR FROM MINNESOTA

Senator DURENBERGER. Thank you, Mr. Chairman. I thank you and I thank the Chairman of the Committee who decided to bring us together on this issue, even though it is near the end of the session.

I thank particularly all the people here today who are waiting to speak. They represent only a very small part of all the people in this country who have been trying to tell us for a long time that, we as a society have a problem, that we need to deal with.

I think the ABC bill was a manifestation of a lot of frustration and it stimulated a lot of debate and activity in the area of child care. John Heinz has talked about his bill, I know Bob Packwood has his own bill with many good ideas as well.

I recently introduced my own bill that will bring greater choices to all families and make child care affordable.

I bet everybody around this table has been dealing with this issue a lot more in the last 2 years than they ever thought they would before, not only because the need is great, but because there are a lot of Americans out there who believe that if we do not act on it fairly soon we are in for some of the problems that Pat Moynihan has lectured us on for so long about the problems facing today's families and children.

I came to the U.S. Senate in 1979 and by 1980, in the tradition of the senators from Minnesota. I was into the equal rights business. And I created legislation with the help of some of the folks that are in this audience called The Economic Equity Act. It is a bill that everybody around this table, practically, has co-sponsored since 1980. But, it was never passed; only pieces of it pass through this body every Congress.

But the first one that passed was the child care tax credit in 1981. And people today say maybe some parts of that were overgenerous and that we did not do enough in other areas. But the reality is, we have started Economic Equity in this country with child care and we have still got a long way to go to finish off that particular agenda.

Today I am into something called Generational Equity and which is based on Thomas Jefferson's first moral test of a society, to leave future generations with opportunities no less than our own, and that this generation is about to be the first generation to leave its children less well off than we were left by our parents. That too is a reality and that too is part of the geneses for dealing with child care in this country.

Now, as everyone around this table has pointed out by their comments and their questions, there is no one way to solve this problem. That is why I believe this hearing is so valuable and that is why the stimulus to which we have all been put to create either our own versions or our own understanding of what needs to get done is so very, very important.

I think the contributions that this presidential campaign will make will be important to the issue. And I think the contributions that we are all going to be required to make during the balance of this year and particularly in 1989 as we launch again a new effort at Economic Equity, and hopefully Generational Equity, in this country child care will be a policy issue that is right up front in this Committee and in the Senate as a whole.

Senator MATSUNAGA. Senator Wallop.

OPENING STATEMENT OF HON. MALCOLM WALLOP, A U.S. SENATOR FROM WYOMING

Senator WALLOP. Thank you, Mr. Chairman. And thank you, along with the thanks of others, for scheduling the hearing this afternoon.

It is obvious that it has become a very popular issue but I think it is less obvious that it is an issue that has been worked on rather consistently over the years, if not quite so vehemently as it has been in this year.

It seems as though every legislative day there is another child care proposal. And it is a reflection, I think, of an appropriate level of American responsiveness in the political spectrum. That is, after all it is not surprising that people do, in fact, respond to genuine needs as they arise in the body politic.

I held a town hall meeting in Cheyenne on this issue. And I agree with Senator Packwood that two of the issues—the issue of whether we are going to federalize standards—is a course that neither this Congress wishes to take nor any Congress wishes to take. It scares me to death, frankly. The issue of religion is very definitely an issue that cannot be stepped over.

But I think there is one other, and that is where some of these bills differ quite strenuously. The other issue is simply whether or not this is a work-related benefit or a family benefit. Do those American families, one of whom wishes to stay at home and care for their own children, are they obliged to have no benefit whatsoever and subsidize benefits to what is essentially middle class America.

I think not. I mean, I think if we are going to make child care a national benefit it belongs to people with children. And that families who wish to retain one parent at home ought to be entitled to the same benefit as those who enter the workplace.

So, Mr. Chairman, I was a sponsor of the first child care bill proposal which utilized a tax-based freedom of choice approach. I certainly do not claim, nor does anybody in this room, to have the best proposal gathered up. And I hope that today's hearing will address both the advantages and flaws of all of those.

The Urban Institute has undertaken an analysis of tax-based child care reform bills. And while they do not endorse any bill, it is obvious from their analysis that the Holloway-Wallop approach is more responsive to the child care needs of low and moderate income families than either current law or most other proposals. And that again brings us the point of whether it is particularly beneficial to families with one parent employed at home as a homemaker, and the female-headed families, which is the fastest growing family group in America today.

According to the Urban Institute, my bill would assist almost 15 million families with an average benefit of $283. It is no magic figure. It is the figure which they have come up with. The current child credit of 65 percent of the benefits go to families with income above $32,000 and only four-tenths of a percent goes to low-income families. I think that is the kind of area in which we need to be focusing our attention.

So, Mr. Chairman, I would ask unanimous consent that my entire statement be put in the record, together with a couple of enclosures. And I would also ask unanimous consent that a piece that appeared in *The Washington Post* on the 10th of September by Secretary of Labor, Ann McLaughlin, be inserted into the record.

Senator MATSUNAGA. Without objection, it is so ordered.

Senator WALLOP. I thank you, Chair.

[The items appear in the appendix.]

Senator MATSUNAGA. Our first panel of witnesses consists of Dr. Alfred J. Kahn, Professor, Social Policy and Planning, of Columbia University of New York; Mr. Martin O'connell, Chief of Fertility, Statistics Branch, Population Division, U.S. Bureau of the Census in Washington; Mr. Douglas J. Besharov, Resident Scholar, American Enterprise Institute, in Washington.

I might caution the witnesses that we will abide by the 5-minute rule. We have a traffic light system. When you see the green light it means go, when you see the yellow light it means go like hell, and when you see the red it means stop. Your entire written statement will appear in the record as though presented in full. (Laughter)

We would be happy to hear from you first Dr. Kahn.

STATEMENT OF DR. ALFRED J. KAHN, PROFESSOR, SOCIAL POLICY AND PLANNING, COLUMBIA UNIVERSITY, NEW YORK, NY

Dr. KAHN. Thank you, Mr. Chairman. I am still recovering from the last time a Chairman pulled a trap door from under me and so I will be very careful about the time then.

In the 5 minutes I obviously will not try to read the 20-page testimony that I prepared and that you have distributed.

I would like to call your attention to the fact that there is a very bad typo on page 8 which, it should say, "The amount of age should vary by income level" not "the lack of age should vary by income level."

Much of the testimony deals with labor force participation, social trends, the need for child care. With Mr. O'Connell here, and with the statements made before we began, I am not going to argue the need for child care. I think it is well known that we need child care for the several reasons mentioned, both in relation to helping people get started, in relation to labor force needs, in relation to child protection, in relation to child development.

I would like to say, even though time is short, that I am rather disappointed and my colleague and co-author of this testimony, Dr. Sheila Kamerman, is disappointed that despite evidence of obvious need, child care has been on hold now for about a year and a half. That is, we have had testimony, we have had legislation, the known proposals are before us, the debate as Senator Packwood indicated, has been shaped, how much to the rich, how much to the poor, how much to the middle class, how are we going to deal with this religious issue, how are we going to deal with the standards issue, how much of this is family policy and how much of it is a labor market policy.

I would like to say, as somebody who has spent a lot of his career doing comparative policy research internationally that, tax credits and tax devices are well-known ways to help families—child allowances, child tax credits, supplementary allowances, et cetera, et cetera—and nobody can oppose helping families and investing in families with children.

The problem with the child care debate as it has been drawn, however, is that it has not been clear that that is not the way you do child care. Almost all the major industrial countries of the world help families—help them rear their children, help them if they are low income, help them if mothers stay home.

And my colleague and I will give you access through the experience in studying 16 countries in one way or another over the last 20 years, the devices are known. Countries that do that, however, do not pose it as an alternative to doing child care.

It does not produce trained staff, it does not produce standards, it does not produce State infrastructure to guide the development, it does not produce citizen participation, it does not produce all that it takes to really encourage industry, the private sector, the churches, to do child care.

And so, of course, you want to help families and when you are ready to spend big money I will give you all the suggestions I have about it. But if you are ready to spend small money as you are talking about now, do child care and do it well. And the evidence is that unless you have some sharing of experience from the entire country, you are not going to know empirically what standards you really need.

Nobody thinks the Federal Government should run child care. Obviously, States and local government run schools and States and local government in the private sector run child care and they should.

But it is also obvious that a Federal Government that has concern for pesticides and cares about food and drugs and pays attention to occupational safety should not spend money without concerning itself with standards as well. A Government that enacted legislation requiring fingerprinting of people who are going to work in child care should care about standards.

We are talking about a modest Federal structure to give leadership and share experience and the support of some State infrastructure for standards.

I see the light and I stop. Thank you.

[The prepared statement of Dr. Kahn appears in the appendix.]

Senator MATSUNAGA. Thank you, Dr. Kahn.

We will next be delighted to hear from you, Mr. O'Connell.

STATEMENT OF MARTIN O'CONNELL, CHIEF OF THE FERTILITY STATISTICS BRANCH, POPULATION DIVISION, U.S. BUREAU OF THE CENSUS, WASHINGTON, DC

Mr. O'CONNELL. Thank you, Mr. Chairman and members of the Committee for the opportunity to testify today.

I would like to submit my written testimony for the record but now present a brief summary of some of the changes that have been occurring in the last 20 years in the way working families look after their children while their parents are at work.

As I have indicated in my written testimony, there has been a substantial shift in the location of child care services for children of working women in the last 20 years. From inside the child's home to outside the home, especially to day care centers and to nursery schools.

The proportion of pre-schoolers now in day care centers and nursery schools is almost at the 29 percent level, up from only about 6 percent in 1965, the first year the Census Bureau conducted a survey of child care arrangements of women working both full time and part time.

While women with older children today have the potential to coordinate the majority of their working hours with school hours, child care arrangements for younger children are still very age sensitive. Child care centers, daytime sitters and even relatives may be often unable or willing to assume the responsibility for infant child care.

In 1985 about 80 percent of infants of working women were cared for either in their own home or in someone else's home, compared to only about 60 percent for children 3 and 4 years of age. In contrast, looking at organized child care facilities, namely day care centers and nursery schools, only about 14 percent of infants were in these types of arrangements compared to about one-third for older children 3 and 4 years of age.

It is apparent then that young children today of working women experience a true progression of different types of child care arrangements as they grow from infancy to the pre-school age. But child care arrangements do not necessarily stabilize once a child is in school. In 1985 there were about 18 million grade-school aged children of working women—that is, children between the ages of 5 and 14.

Only about 75 percent of those children attended school most of the time their mothers worked, as mothers, like fathers, often work non-day shifts and on weekends. And even among the children who were in school most of the time their others worked, still about one-third required another type of child care arrangement after school. In effect, less than one-half of the school-aged children in 1985 were completely under school supervision for all of the hours that their mothers worked.

In addition to the child care quality and availability issues, the cost of child care is another important issue faced by many families today. However, primary child care arrangements used by most families today require no cash payment.

In 1985 about two-thirds of the almost 27 million children under the age of 15 years of working women were either in elementary school most of the time their mothers worked or cared for by the child's parents or siblings. And of the 7.5 million children who used child care arrangements, which one could reasonably expect to pay for—say day care centers, nursery schools, or friends or relatives—about 5.3 million women actually paid cash for these arrangements.

Data from the 1985 Survey of Income and Program Participation indicated that these 5.3 million mothers paid about $11 billion in child care payments in 1985 or about $40 per week, per woman. Of women using relatives as the providers, only 1 in 10 paid over $50 a week, compared with about one in three who used either non-relatives or organized child care facilities.

The results of a Census Bureau survey in 1982 also suggest that child care expenses can create employment barriers for women with very young children. Surveying women with children under 5, about a quarter said they would look for work if they had access to reasonably-priced child care.

In conclusion, I would just like to say that the likelihood of continuing increases in labor force participation of women with young children will continue, and the availability and costs of child care will be fairly influential in resolving the daily conflicts between family responsibilities and work outside the home.

Thank you.

[The prepared statement of Mr. O'Connell appears in the appendix.]

Senator MATSUNAGA. Thank you, Mr. O'Connell.

We will now be happy to hear from you, Mr. Besharov.

STATEMENT OF DOUGLAS J. BESHAROV, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC

Mr. BESHAROV. Thank you, Mr. Chairman.

My name is Douglas Besharov and I am a resident scholar at the American Enterprise Institute. I think this hearing and the number of Senators who are here is evidence of the strong desire we all have to help support child care.

I am going to revisit an issue that this Committee attempted to address this year, unsuccessfully, I think, on the final go around on welfare reform, that is, the need to target the child care credit to the families who need it most.

I do not know what is going to happen with the ABC bill this year or next. It seems to me that $2 billion is still a lot of money, especially given the budget deficit. Most of us know that within the child care credit, depending on where one would draw the line, there is about $1 billion going to folks who do not need it.

Let me just go through some of those numbers for a moment and then be open for questions. The child care credit is the Federal Government's largest child care program. Through losses to the Treasury, we spend about $4 billion to help American families afford child care. The average credit, by the way, is only $419 and that reflects the fact that many part-time workers, and many families that do not use expensive center care, claim the credit.

In 1985 less than 1 percent of the benefits on the credit went to families earning less than $10,000. Less than 13 percent went to families earning under $15,000. And the situation is getting worse under the Tax Reform Act of 1986.

A recent Urban Institute study found that families earning less than $12,000 a year will see their benefits under the credit reduced by one-half this coming year. At the same time, families earning more than $32,000 will see their benefits under the credit increase by 50 percent.

Now, I am all for helping everyone who has to pay for child care, but I think that, if it is at all politically possible, Federal benefits ought to be targeted to families who need the help most.

I am willing to draw that line at $45,000 a year. By our calculations, if you phase the credit out between $45,000 and $65,000 a year, you generate $1 billion which could be used either to fund an ABC bill, or my preference would be—as I indicated in my testimony—a revitalized and expanded Head Start program. I think that whatever the Congress does it should focus on the children who need help most—and that is low-income families.

Let me mention one thing that we found as we were doing our research on the credit. The Treasury has done a series of special audits of claims under the child care credit. Two out of five American taxpayers cheat on the child care credit.

The cumulative percent of cheating under the credit is 28 percent. That, by the way, is the same rate of cheating as under the travel and entertainment claims. We calculate that Americans claim over $4.5 billion of phantom child care expenditures. And we calculate and the Treasury, I think, agrees, that costs the Treasury $1.3 billion a year of false claims under the credit.

Now I know that recently the Congress has begun to address that question but I bring it up at this point for the very important reason of again emphasizing that if we are going to do something about child care we have to be very careful.

Church-state relations are involved in the ABC bill. Questions about standards are involved in that bill and many others but I think overriding all those is the question of where Federal priorities are placed. And speaking for myself, I would place them with low- and moderate-income families before families earning over $45,000 a year.

Thank you.

[The prepared statement of Mr. Besharov appears in the appendix.]

Senator MATSUNAGA. Thank you, Mr. Besharov.

Before we go into the questioning phase, I understanding Senator Roth would like to make an opening statement.

Senator Roth.

OPENING STATEMENT OF HON. WILLIAM ROTH, JR., A U.S. SENATOR FROM DELAWARE

Senator ROTH. Thank you, Mr. Chairman. I apologize that I could not be here for the beginning. I do want to congratulate you in your holding the hearing on the issue of child care.

This hearing is important, considering that more than a dozen bills dealing with child care are pending before the Committee. As a sponsor of one of these bills I am hopeful that today's hearing will help push child care forward on the legislative agenda.

This afternoon as we consider proposals to expand Federal assistance for child care I would like to suggest that we bear in mind the findings of the Secretary of Labor's Task Force on Child Care.

In a report published this past Spring, the Task Force pointed out that the Federal Government already devotes significant resources to child care. It makes sense, therefore, that any new child care program should be coordinated where possible with existing programs.

The Task Force also found that State and local governments have developed a variety of ways to utilize Federal funds in responding to the child care needs of their citizens. New child care legislation should encourage, rather than inhibit this flexibility at the State and local level.

Additional Federal regulations, no matter how well intended, could hinder State and localities from responding to the particular child care needs in their area. As we weigh the merits of the comprehensive plans that have been proposed to improve the child care situation, we should not overlook innovative proposals on a smaller scale.

For example, I favor exempting senior citizens working in child care from the social security earnings test. Such an exemption would enable older Americans who are interested in working with children to get involved without fear of losing their social security benefits.

I hope my colleagues will be receptive to this and other innovative proposals. I believe that legislation addressing child care should emphasize the principles of coordination, flexibility and innovation. I have tried to incorporate them into my own proposals. With a proper approach, we can make significant progress towards helping American families meet their child care needs.

Thank you.

Senator MATSUNAGA. As an introducer of one of the many bills which have been referred to this Committee, Senator Wilson has been invited to join the Committee today.

If you have any statement at this time we will be happy to hear from you,

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Mr. Chairman, I am very grateful for your invitation to participate in today's hearing and I will detain the Committee and the witnesses for only a very brief period of time.

I have expanded remarks that I would ask be entered into the record. At this point, I would simply say that I commend you and the members of the Committee for undertaking this hearing. It is my hope that it is possible even in the waning days of the 100th Congress for us to act and actually produce legislation to address what we all acknowledge to be a real problem, one in which the chief stumbling block is defining the proper Federal role.

I would simply say that, like my colleague Senator Roth and many others, we should regard the efforts that we have made placing provisions in our own legislation. As the sincerest form of flattery I will confess to having freely engaged in some plagiarism in an eclectic effort to develop a comprehensive bill that embodies what I believe to be the best in my colleagues' legislation in addition to making some recommendations of my own. The provision my colleague, Senator Roth, just described which would exempt seniors' earnings from child care from the Social Security earnings test is one that is in my own KIDS bill, as is the idea for a refundable tax credit.

I arrived just in time to hear Mr. Besharov indicate the need for some kind of limitation on the availability of the tax credit to upper income families. The KIDS bill contains a provision to address this issue. Specifically, my bill would begin phasing out the Dependent Care Tax Credit for those taxpayers with adjusted gross incomes of $65,000 and would eliminate it entirely for those above $93,000.

The primary thrust of the KIDS bill, contrary to the ABC bill, is to give the States maximum flexibility and a very real role, but even more importantly, to give those who will be the beneficiaries of our efforts an even greater role. To put it most simply, it seems to me that we should put both the tax credit and the choice as to the form of child care in the hand that rocks the cradle, rather than that of a well-meaning bureaucracy.

In the end I would hope that we would enact legislation that affords maximum flexibility with respect to funding and the kind of facilities available so that the wide range of different situations will find an accordingly wide range of possibilities of child care.

Finally the necessity to create new facilities cannot be addressed without resolving the question of liability. Again, my legislation borrows and I think improves upon some other measures that have sought to address the availability of cost effective liability insurance.

Mr. Chairman, I will submit for the record additional remarks that set forth in greater detail the provisions of what I think to be a comprehensive approach to the child care issue. As I stated at the beginning of my remarks, the KIDS bill has been introduced in the interest of trying to provide both a eclectic and comprehensive vehicle that could become a suitable instrument of compromise.

Senator MATSUNAGA. Without objection the full statement will be in the record.

Senator WILSON. Thank you, Mr. Chairman, I commend you for conducting today's hearing and the many others who have introduced child care bills. At the very least, we have indicated a willingness to address what the witnesses have noted as an idea whose time has come, and the difficult job of defining the proper Federal role is one that we need to have undertaken.

Thank you.

[The prepared statement of Senator Wilson and items appear in the appendix.]

Senator MATSUNAGA. Senator Chafee, did you have a statement?

OPENING STATEMENT OF HON. JOHN H. CHAFEE, A U.S. SENATOR FROM RHODE ISLAND

Senator CHAFEE. Mr. Chairman, I do have a statement. But unless someone violently objects I will put it in the record.

Senator MATSUNAGA. Without objection.

Senator CHAFEE. But it seems to me, we are addressing three problems here—availability of child care; the cost of child care, affordability, if you would; and the quality. How are we going to obtain those three goals?

And I am glad that we are holding these hearings today and commend you for having arranged them.

Here's the statement.

[The prepared statement of Senator Chafee appears in the appendix.]

Senator Matsunaga. I see Senator Daschle there in deep thought.
Did you have a statement to make, Senator Daschle?

OPENING STATEMENT OF HON. TOM DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. I don't, Mr. Chairman. I would only add to those who have already commended you and the Committee for holding these hearings affordability and availability in rural areas is certainly a major issue.

In South Dakota we have roughly one-fourth of the availability of what we deem to be necessary. And so as we consider this issue here, I will be interested in it from that perspective. I am grateful to you for taking the time and interest as you have demonstrated this afternoon.

Senator MATSUNAGA. Now we will proceed to ask questions of the witnesses.

Dr. Kahn, your main recommendation is that the 3 to 5 year olds should be served by public pre-schools supported by State and local governments. Do you by chance know of any such programs now being financed by State and local governments?

Dr. KAHN. Mr. Chairman, as you realize I gave very little of my testimony. The testimony as I have developed it with Dr. Kamerman basically argues that we ought to do what continental Europe does, or most of what continental Europe does, regard the three to five nursery school as either a public operation or a publicly-assisted operation tied to a special administration school system so it does not look like the first grade, and run by early childhood people so it is early childhood, allowing a long day if Parents are at work or a partial day if parents are not at work, and recognize as Mr. O'Connell's data suggests that in effect middle class people do it already.

As you know, it does not matter whether a mother works or not if the mother is a college graduate and the family is over $25,000 in income, that is what families are doing already and we will avoid a two-tier system if we pick up what the States have already begun to do.

The States out of a concern, really, for human resources and developing competitiveness and meeting the new industrial challenges have already begun to do pre-schools for the 4 year olds, but they have set up a priority system for children who speak foreign languages and children from poverty backgrounds, et cetera, a fair amount of Federal help in exchanging experiences and some encouragement, and some visibility would move us down that road.

I did not feature that in my testimony because I do not want it to seem like, and I do not want it to be, a way of sidetracking the ABC bill which I think has a collectic strategy and it would allow the States to go in that direction if they wanted to.

The thing that attracts me about the ABC bill is that it lets the States pick a strategy after a lot of exchange of experience among the various sectors and the Advisory Committee and move in anyone of these directions—use certificates and vouchers if you want the market to operate—and help build up the supply by subsidy if you want to go that way, help the school system go if you want to go in that direction.

That will not take care of the infants and toddlers which is the really large supply problem today. We have published a book recently based on a national study, and no matter where you go—and we have just heard from South Dakota and from West Virginia—there is a terrible supply problem and they cannot get adequate supplies for infants and toddlers and they are going into horrible care arrangements.

You will not solve that by giving people tax credits. It does not give them enough money to buy that. Nor will you solve it just by decreasing their tax obligations because the people who need to buy that supply do not have adequate income. It is going to take some level of subsidy.

That is why I appreciated Senator Wilson's comment about compromising the bills, $400 million is not going to buy what $2.5 billion does. Somehow we are going to have to get more money into the supply end of this.

I believe that for the infant and toddler care, and for the after-school care, and for the non-working part of the nursery school care, you can charge parents on a sliding fee and as Mr. Basharov suggests very, very heavily go towards the subsidy of people who need it most. But, people who need it most are in the income level we are talking about. We are not talking only about people earning $10,000. People need help at the $25,000 and $30,000 thing as well.

But in the long run—and that is why I do not want to foreclose the strategy—I would enact something like ABC that says to the States, you work out a strategy and what the Federal Government is going to do is exchange experience, allow you in various ways to get subsidy, but we are not going to speed Federal money unless you meet some minimum standards because this country does not spend Federal money without protecting standards. We do not do it to workers, we do not do it to people who take drugs, let us not do it to little children.

Senator MATSUNAGA. I have other questions, but in the interest of time, I will submit them to you in writing.

I call on Senator Packwood if he has any questions.

[The questions appear in the appendix.]

Senator PACKWOOD. Dr. Kahn, you seem quite confident that you know what the standard should be.

Dr. KAHN. I am very, very modest in my expectations. We had, as you remember, a lot of empirical work done in the 1970s at the time that we thought we were going further in child care. The Federal Government spent, literally, millions of dollars looking at the relationship between caretaker training and the experiences children had, looking at health and health standards, looking at fire safety standards, looking at sizes of groups, et cetera.

What I would believe in doing is setting up a device to pool State experience looking against that backdrop of a lot of empirical work that was done by sociologists, and child development people, and psychiatrists, and educators in the 1970s. Not write the standards into a bill, but simply write a process into the bill and set a due date 5 or 6 years from new at which the Secretary of Health, Education and Welfare, after hearings, would enact what I would regard should be very modest standards.

I am not interested in a large bureaucracy, nor am I interested in the optimal programs. But I am interested in programs that will give children good experiences and reassure their parents as to what is happening to them.

Senator PACKWOOD. Well, whether we write the standards in the bill or whether we say to the Secretary of Health and Human Services, here, you mandate the standards, but only after you have had hearings, and we say to the States, now in 5 years you have to meet them—we are still saying at the Federal level we know there are certain standards that must be met and we are right.

Dr. KAHN. Yes. I believe that that is the case. We Would not let a jurisdiction set up an elementary school system without somebody setting standards for that. We do not believe in spending funds in large numbers of areas, for example in the medical area, without some minimal standards. We know that you cannot put 40 two year olds into the care of one high school educated person and be sure that those kids are going to have a safe day.

Senator PACKWOOD. Well, I am curious. Back 30, 35 years ago we set standards, by and large, for public housing and we said the answer is high-rise, downtown housing. That is where we compelled the local governments to put it. Now 35 years later we say, no, that was a mistake.

How do we know we are right?

Dr. KAHN. Well, obviously, I am not arrogant enough to be sure that I am right about anything. But, nonetheless, I do know if I look at experience in every well-developed child care system in the world, I do know that somebody sets a limit on how many adults take care of how many children.

We know what the attention span of an adult is; we know that you cannot pay attention to 40 two year olds. You might be fighting as to whether you are going to have 13 or 19, et cetera, and I would err at the side of economy—that is, I would not be stricter than I could show empirically made a difference.

But we do have research that shows what happens to children in those groups.

Senator PACKWOOD. Mr. Besharov has an answer.

Mr. BESHAROV. Can I get in on this discussion?

Senator PACKWOOD. Yes.

Mr. BESHAROV. Everyone wants the very best child care for not only their own children but everyone elses. And everyone, I hope, believes somebody's standards—maybe their own, maybe Professor Kahn's—will improve child care.

The debate is partially about whose standards. But there is a deeper problem about the responsibility of the Federal Government in relation to standards. If standards are going to make a difference, they are going to raise the cost of child care. Because if we start talking about pupil/staff ratios or the amount of training that workers have to have, those costs will go up.

The concern that many people in this country have is not Federal standards on Federal dollars, but the fact that most of the—well, the ABC bill, for example, would leverage the existence of Federal standards across all child care provided in the State, not just Federally funded child care. That would mean that the cost of child care for any family using licensed child care in the State, whether or not Federally assisted, would go up.

There are estimates and I think they are reasonable, that the Congress would have to spend more than $2 billion a year before it caught up on those expenses.

Senator PACKWOOD. I am not quite sure I follow your argument. I think I know what you are saying. You are saying that if the Federal Government imposes standards on licensed care, the cost of non-licensed care will go up. Do I grasp what you are saying?

Mr. BESHAROV. If the Federal Government imposes standards on all licensed care, not just the care that it subsidizes, and the majority of care would continue to be not federally subsidized, the cost to all other families, low income and otherwise who were paying for child care, would go up, considerably.

Senator PACKWOOD. At the moment, the ABC bill only applies this standards to licensed care and you can only receive money under the bill if you are licensed. I am not quite sure what that does to the bulk of the care in this country which is unlicensed care.

Mr. BESHAROV. That is right. But even for that care that is licensed, a very small proportion of it will receive aid under the ABC bill.

Senator PACKWOOD. That is true.

Mr. BESHAROV. But it means that if aid is provided in Center A in one county, that the State by accepting the Federal money will have had to impose standards across the entire State. So Center B in another county which is receiving no Federal funds will have to meet those same Federal requirements. There are some families who are going to say, why are we having to pay more for child care without Federal assistance.

Senator PACKWOOD. Thank you, Mr. Chairman.

Senator MATSUNAGA. Senator Durenberger, do you have any questions of the panel?

Senator DURENBERGER. Yes, Mr. Chairman, a lot but we do not have time I am sure for all of our questions.

I would like to ask sort of a fundamental question of the three members of this panel. It seems to me what is striking about all of the various child care bills that I have seen and I think I have seen them all, is that we have a variety of means to an end but we really have not decided what the end is in this whole process of delivering child care.

I am struck, and I am just going to maybe exaggerate it a little bit, but our choices of national models in child care from here on are already on the table in the form of other public services.

We can go the public school route, as ABC largely proposes—and just say that we are going to create child care institutions and we are going to finance those institutions in one way or the other, even if we have little flexibility and we will have to finance the access to these institutions. But the institution becomes what is important.

The other alternative is to deal with the problem that supply cannot keep up with demand. There is a lot more demand out there for quality child care than there is supply. One of the reasons that we do not have enough supply people will say is, we are not paying child care providers enough, or whatever the case may be. But the basic problem is to match supply with demand.

So you either answer the supply question by creating the school, hiring a bunch of "teachers" and financing the care

Or you do what we did in health care where we said every employer in this country now gets a tax deduction for a health benefit and the employees will never have to pay any taxes on the value of the health insurance. So all of a sudden everybody has got free access into the health care system.

Well, we know what happened to the supply of doctors and hospitals. I mean, it went up just like that. Everybody wanted to get in on the act. For a period of time that was a pretty good thing. Now we are talking about cost control and all that sort of thing. But at least it met the problem of supply and demand.

Do any of you have a, or do each of you have a suggestion as to which of those ways we might best go, if we are really talking about a national policy?

Dr. **Kahn**. If in effect, Senator, if I may start, we decided to go both ways and the ABC bill says since there is a debate about it, let us continue to go both ways, let us not resolve it. When I responded to the Chair's question, I said if you gave me a choice, in the long run I would use the three to fives and the public nursery school route, if you will.

I think it is the way to go because it is universal, it is democratic, it is the way in which we see children in communities and small families, et cetera, today. Nonetheless, I am not saying abolish tax credit. And I am also saying that it does not create a supply to say you are in favor of nursery schools, therefore, also follow the social welfare route, which is the other part of the ABC bill creating more day care centers and more infant and toddler care in family day care and family groups.

And I am suggesting——

Senator **Durenberger**. Pardon the interruption.

Dr. Kahn. Sure.

Senator **Durenberger**. Part of our opportunity is just like in health care, it is with the third-party payers. We have all these employers in this country that need all of these workers and they can only get a satisfied worker if they help them out.

Now are we going to continue the present policy that says the companies ought to build the day care centers in the company or are we going to try another course which says why do you not go to the marketplace?

Dr. **Kahn**. We have been encouraging employers to do this since 1981 and the amount of day care they produce is minuscule. They will do it resource and referral and once in awhile they will give some vouchers and they will take care of flexible benefits.

Parents need child care and children need child care in their neighborhoods. Parents do not want child care tied to the job. Employers do not want the mess. Most employers do not have enough workers to set up their own child care so they get up into consortium. All power to anybody who can convince employers to go further, all power to all suggestions for tax benefits; it is a minuscule part of the solution.

We either have to go down the social welfare institution route or the education institution route or some combination of the two. Nor will the market solve it. If the market could have solved child care, we would have enough long ago and that is why tax credits are not going to do the whole story.

There are a lot of externalities in child care. There is not enough money to be made with high standards. You cannot create an infrastructure you can create recruitment; you can train people; you cannot worry about the salaries of child care workers. We are going to have to help the States, who in turn are going to have to help the providers through one or several systems.

My own advice is, let us keep an eclectic model going so we do not have to fight about that, there are plenty of other things being fought about at the moment.

Senator **Matsunaga**. Mr. O'Connell.

Mr. O'Connell. Yes. I would like to just indicate that there are almost an infinite variety of types of child care arrangements in use today. They are very different according to the characteristics of the woman. Married women especially have a fairly high proportion of their children cared for by their husbands. They may choose to work part-time or days when the husband is home.

About 20 percent of the pre-schoolers of married women are actually cared for primarily by the woman's husband. Unmarried women do not have that option. They depend a lot more on relatives and they also depend a lot more on day care centers.

The types of arrangements used also are a function of the type of region that you are in. In metropolitan areas, where there is a fairly high density of population, it may be economically feasible to start a day care center or nursery school. It may not be so in a farm area where the nearest household is 10 or 20 miles apart.

So, depending on what types of groups are in need of child care and what regions of the country care is provided for, there will be almost as many arrangements used as persons that we interview in the survey. Every person we interviewed has a different story, but they all seem to say that there is a great amount of flexibility in arrangements.

And over the course of the year, parents may have to go through several different types of arrangements to find one that they are agreeable with and that is stable enough, so that they feel their children are safe.

So there is no one answer as far as the respondents in our surveys indicate.

Mr. BESHAROV. I will not take too much time on this answer. First of all, there are so many things that I agree with that Al Kahn says and so many that I disagree with. So, take your choice.

I think that Professor Kahn seriously understates what is happening in terms of business. The Congress passed about 4 years ago—but the Treasury has just last year published amended regulations on—the employer-provided child and dependent care credit. Those regulations now are much more generous and much more liberal than they were before.

As far as I can tell, business after business is rushing to provide some assistance there. The estimates are that it will go from about $150 million this year to $500 million next year. The surveys that I have seen of the Fortune 500 suggest that 40 to 90 percent of those companies will be using the employer-provided child care this year.

The excitement about that credit is very great. Now that credit is not going to meet all needs. But it is going to be doing a great deal. In fact, my guess is that in a year or two you all are going to wondering how you can stem the cost of that credit because right now it is out of control.

To answer Senator Durenberger's question more directly about a supply side or a demand side approach—and that is really I think what we are talking about on these different bills—I am struck by the fact that notwithstanding the discussion about 70 percent of American mothers in the labor force, in fact, we have three relatively distinct groups.

We have families—I am talking about intact families for a moment, not female-headed who have a whole set of different problems. We have families in which both parents work full time we have families in which only the father works full time; and we have families in which the father works full time and the mother works part-time.

Now, it is an interesting political equation. The assumption underlying a supply-side bill like ABC is that the part-time mothers vote with and belong in the same category as the full-time working mothers. I think just as credible an argument can be made that they fit in the other category and that less than 30 percent of American households are two-parent working families.

Why is that important? Not because one type of family is better than the other, but it suggests a real diversity in the way families choose to live. It suggests politically very great hostility to taxing one-earner households to support two-earner households, especially when two-earner households on average made 50 percent more than one-earner households.

It therefore suggests that the Congress does well to look at demand-side responses because they tend to be more flexible, because they tend to not be an overbearing Federal presence, and they tend to help as many families as possible without having to choose sides between the third, a third, and a third of American families.

Senator MATSUNAGA. I would like to make one correction here. You seem to be under the misimpression that Senator Dodd's ABC bill would require the meeting of Federal minimum standards even by those who do not receive Federal funds. Under the ABC bill, only those who receive funds must meet the minimum standards. Is that not correct?

Mr. BESHAROV. I have to apologize. I guess I am as much referring to the House version of the ABC bill.

Senator MATSUNAGA. Oh, I see.

Mr. BESHAROV. Which I believe still provides that, and I think that Senator Dodd's original bill so provided. If it turns out that the Senate prevails on that issue, I would be the first one to congratulate the Senate.

I think the pressure on that is very great in the other direction.

Senator MATSUNAGA. Senator Wallop, do you have any questions?

Senator WALLOP. Yes. Mr. Chairman, an observation and then a question.

I would observe, Mr. Kahn, that you are talking about countries of the world which you have studied which you provide us, that you are essentially talking about socialist government.

Dr. KAHN. No, I am talking about—

Senator WALLOP. Or government structure of it is essentially socialist.

Dr. KAHN. No, I am talking about capitalist private property countries. No single socialist government. I guess the closest to a socialist government is Sweden, which has as much diversity in income distribution as we do.

Senator WALLOP. But I'm talking about the distinction that I think is probably lodged on most people who observe the means by which the government go into the process of providing these things, labor socialists.

Dr. KAHN. Mr. Wallop, can I give you that history? Most of the countries that child allowances began to do them as a wage supplement as an alternative to creating something called a family wage. They decided that since wages are not in any way attuned to family size and responsibilities what they might consider doing is giving a supplement because the alternative was a minimum wage that met the needs of a family of four.

And in general, that is the way these benefits have developed, as a way of supporting family life, and the same way that several people on the panel have just been here suggesting a tax credit to help families in which there is a mother at home not working.

Senator WALLOP. I would just say, most people viewing that would find your distinction hard to——

Dr. KAHN. There is a lot of misinformation. There is a lot of misinformation.

Senator WALLOP. Let me suggest to you that Federal standards and the approach that you are talking is going to deny the people of Wyoming, in large measure, any assistance whatsoever. You will not be able to find a community such as DuBois, my community of Big Horn of three hundred and some odd people in it, able to put together a kind of Federally organized, standardized, and delivered day care system.

Which is why some of us feel that one, the ABC bill, not only raises the cost of day care but substantially inhibits its availability in the rural areas of America—in the small town areas of America.

Dr. KAHN. Mr. Senator, I would hate to think that the people of your State, if they created a planning committee to set up child care, could not invent a way to avoid that problem and I would hate to have a Federal law which did not give the Federal administration in this field a basis for giving them permission to do so and to accept the reality you described.

Senator WALLOP. Well, our experience with Federal standards and other things has not been quite so flexible.

Dr. KAHN. I know what I am advocating. Just as I would not want you to let people build roads with Federal money without having asphalt standards, and yet I would want the engineers to have some flexibility, depending on the terrain.

Senator WALLOP. Well, that same Federal Government was the government which insisted on white lines on our interstate highways when we are a State that spends about 70 percent of it—or about 40 percent of its year with snow covering the white lines. (Laughter)

We had thought that a more sensible structure was a yellow line.

Dr. KAHN. Obviously, you want to do something about your administration.

Senator WALLOP. No, sir, this happened long before. But I really am suggesting that I do not know where you will suggest that we would acquire this money, and where this eclectic program is devised in the flexibility in which you say.

We spend about $10 billion a year now on child care as a Nation. This Committee knows quite well how difficult it has been to get $3 billion over the next 5 years for welfare reform, including a rather expanded child care credit in there, and as I read your testimony you are suggesting that we go to $2 billion per year as a minimal.

Have you suggested where we would get the money to fund it?

Dr. KAHN. Yes, I think we ought to raise our taxes and I am ready to pay them.

Senator WALLOP. Well, you can run for the Senate and get on this Committee, and then figure out who you would do that to because we have seriously struggled in this Committee on a bipartisan basis.

Mr. Chairman, I would just ask one other thing of Mr. Besharov. You are indicating that many people cheat on our tax returns, claiming the credit. But the average cost, I think, in the Nation for child care is about $3,000 a year; the average expenses listed on tax returns is $1,900.

Is cheating really such a problem?

Mr. Besharov. Well, the average expense of $3,000 which is an estimate of what centered-based or licensed-care costs, is not the average expenditure of the average American family because many families have either fathers taking care of their children—I believe 7 percent of all—if that is the latest number I remember—child care in this country is provided by fathers.

Also, many mothers work part time and so they do not need, they do not spend the full $3,000. The average claim under the credit is about $2,0007; and the average benefit under the credit is about $419. In those claims there is a fair amount of inflation. There is no requirement that you document expenditures if they are not to a contractor or an employee in your home.

Senator WALLOP. Mr. Chairman, if I could just ask the follow up question: Could that documentation be required in sufficient detail to eliminate a large portion of what you mean?

Mr. BESHAROV. I do not want to offend anyone. It is very hard to follow what the welfare reform bill looks like from day to day.

Senator WALLOP. It is too on the Committee that is doing it.

Mr. BESHAROV. But I believe there is still a provision in the welfare reform bill that will require taxpayers to list the social security number of every provider of child care. Is it still in?

Senator WALLOP. It is still in because this is a real problem that I think many of us would like to see addressed.

Thank you.

Senator MATSUNAGA. The next panel of witnesses consists of Ms. Marian Wright Edelman——

Senator WILSON. Mr. Chairman, may I make one brief observation before this panel leaves?

Senator MATSUNAGA. Be brief because the next panel is——

Senator WILSON. Yes, I do understand we have yet to hear from several witnesses. I will be brief.

The comment made by Senator Packwood, I think, deserves fuller exploration than what has been given. A great many people clearly are dependent, not just in Big Horn, WY, but even in metropolitan centers on unlicensed child care facilities.

Mr. Kahn made a reference with respect to $400 million that is provided as a direct Federal expenditure to assist States under my legislation. I would merely point out that under the ABC bill, the $2.5 billion to which he referred is to account for approximately 790,000 child care slots nationwide. My State alone has a universal need, a requirement of over a million. The ABC bill would be long since exhausted in my State, not meeting the need, and not beginning to meet the need of the 49 other States.

So I think that the point Mr. Besharov made about the alacrity with which business is now beginning to provide child care, and admittedly belated is a good one. There hasn't been a great production until recently. But I think we are going to see a tremendous increase in the claim of the tax credit and in the establishment of facilities by business. I think there is a very great need and a very great desire from the demand side.

I agree that we really should be looking at this from the demand side, on the part of people who want to choose work rather welfare and who are very eager to find the services where they can, including at work if it is available.

I suspect that the prediction is accurate that very soon we are going to be confronted with the cost of the tax credit, but it seems to me that it is going to result in the production of a lot more child care facilities than simply the direct expenditure envisioned as the only real means of providing child care under the ABC bill.

Dr. KAHN. I am for both, Mr. Senator. I hope you are right, but I must say that I am skeptical.

Senator WILSON. Thank you, Mr. Chairman.

Senator MATSUNAGA. Senator Rockefeller.

Senator ROCKEFELLER. I will pass, Mr. Chairman, in order that we can get on to the next panel.

Senator MATSUNAGA. Senator Chafee.

Senator CHAFEE. No questions.

Senator MATSUNAGA. Thank you very much, all three of you.

We will now call upon the next panel, consisting of Ms. Marian Wright Edelman, President, Children's Defense Fund, Washington, DC; Suzanne B. Plihcik, Member, Board of Directors, Chairman, Public Policy Committee, Association of Junior Leagues, Inc. of Greensboro, NC; Mr. Bert Seidman, Director, Department of Occupational Safety, Health and Social Security, AFL-CIO, Washington, DC; Mr. Robert E. Rector, Policy Analyst for Social Welfare and Urban Affairs, Heritage Foundation, Washington, DC

Senator CHAFEE. Mr. Chairman.

Senator Matsunaga. Yes.

Senator CHAFEE. I would just like to welcome Mrs. Marian Wright Edelman here. She has testified before us many times as you know, been an outstanding witness on behalf of the Children's Defense Fund. So along with the others here, I welcome you, Ms. Edelman. Once again, I am a sponsor of the ABC bill and look forward to your testimony as we do for the other witnesses as well.

Senator MATSUNAGA. I understand Ms. Edelman has to leave for some other function in about 5 minutes. So we will call upon you first.

STATEMENT OF MARIAN WRIGHT EDELMAN, PRESIDENT, CHILDREN'S DEFENSE FUND, WASHINGTON, DC, ACCOMPANIED BY HELEN BLANK, DIRECTOR

Ms. EDELMAN. Thank you, Senator thank you, Senator Chafee, for your kind remarks. I am delighted that you are holding this hearing on child care today. I mean, this has been a year when we have had more politicians talk more about children and about child care than I can ever remember.

I would just encourage you, though, to begin to act on child care and to do something about the needs of families in their children to child care this year by enacting the ABC bill, which is an important first step in establishing a child care infrastructure. ABC can be supplemented in future years by a variety of additional approaches which I know that you are considering here.

But while you think about supplements to employers, a tax supplement to employers and additional changes for the dependent tax credit and to the EITC. The first step we think you should take right now to help mothers and children and parents who are working is to enact ABC.

I want to just be clear about the facts about ABC because there is much more—There is a consensus despite the political law. ABC is the only pending comprehensive bill that seeks to address the availability, affordability and quality of child care for the over 10 million pre-school children with mothers in the labor force.

It covers needed after school care for millions of school aged children up to 13. It helps both poor and middle class families with incomes up to 100 percent of State median, although we expected most funds would go to lower income families.

Special funds are targeted to extend head start and chapter one pre-school funds to full day, full year programs for working parents. ABC is a social services program with an education component.

It is a State administered program and not a Federal bureaucratic one, as it has been mischaracterized as being.

It seems to encourage maximum parental choice and participation of a wide array of private, as well as public providers, including family day care and the National Association of Family Day Care Providers, who is strongly working for ABC's enactment.

It subsidizes profit makers and nonprofit makers in providing care. It makes employers eligible, schools eligible and churches and synagogues eligible on a nonsectarian basis. States have the discretion to deliver the type of child care services that best fit their need through either contracts, grants or vouchers.

ABC also seeks minimum national health, safety and quality protections for children in child care similar to those already in operation of the Department of Defense for children of military personnel.

Three out of four voters and 83 percent of working mothers favored ABC's national standards. Just as the Federal Government protects the elderly—and I would be interested as to whether or not members of this Committee think that we should not have Federal standards for nursing homes where our parents go.

Just as we have Federal regulations for nursing homes, and just as we have Federal regulations on this toy which our children play with and make sure that it is safe and has no removal parts and no sharp edges that would hurt our children, so ABC seeks to help ensure that the day care homes and centers where our children play with these toys are also safe.

ABC has an extraordinary amount of support across all incomes in all regions and across all political lines. It has far more of a consensus than any other pending Federal measure before this Congress.

In addition to 130 national religious child care, health, education, labor and civil rights organizations, State alliances in 38 States, we have 42 Senate cosponsors and I am pleased that there are three Republicans, including Senator Chafee, and we are deeply grateful for your support, and 122 House cosponsors with 13 Republicans, including Congressman Henry Hyde, from Illinois.

We applaud efforts, however, to supplement ABC after you pass it this year and future years with children's allowances like Mr. Bush's, or with expanded tax credits to families through the earned income tax credit, or the dependent tax credit, or through incentives to employers who should be doing much more in providing child care for their employees.

We support mothers having a choice to stay home and take care of their children because we know that many do not have that choice. We also support affordable child care like ABC's when they have to go to work.

They need additional child care support because we are going to have to have a system if we are going to take care of the 19 million children who by 1995, pre-schoolers, will have mothers in the labor force.

Tax additions can be enacted next year if congressional child care interest is genuine rather than election year driven. We applaud ongoing efforts between Senators, Democrats and Republicans, to add to ABC a tax component this year, so long as such efforts in no way impede ABC's immediate enactment or dilute its essential components.

Finally, I just want to State what the voters say about ABC and that is that 60 percent of all voters support it; 84 percent of all working mothers support it. Poor parents cannot wait a year for tax refund. They need up front help and while ABC is not perfect, will not solve every need, it is an important first step that I hope those of you here today will build on the supplemental approaches in future years. But the task before you now is to act and then to consider additional supplements in future years.

Senator MATSUNAGA. I understand you need to leave right away.

Ms. EDELMAN. Yes, sir; but Ms. Blank is here from our staff and will be delighted to answer any questions any Senators may have. Thank you, again for the opportunity.

[The prepared statement of Mr. Edelman appears in the appendix.]

Senator MATSUNAGA. Thank you for appearing before the Committee. We appreciate your testimony.

Our next witness is Ms. Suzanne B. Plihcik.

STATEMENT OF SUZANNE B. PLIHCIK, MEMBER, BOARD OF DIRECTORS, AND CHAIRMAN, PUBLIC POLICY COMMITTEE, ASSOCIATION OF JUNIOR LEAGUES INC., GREENSBORO, NC

Ms. PLIHCIK. Good afternoon. My name is Suzanne Plihcik and I am Chairman of the Public Policy Committee of the Board of the Association of Junior Leagues and I am a member of the Junior League of Greensboro, NC.

I am pleased to have this opportunity to present to you the Association's views on the role of the Federal Government in support of a comprehensive child care policy for America.

The Association's commitment to the improvement of services for children and families is long-standing. Junior League volunteers have been providing such services since the first Junior League was founded in 1901.

I have submitted our written testimony for the record and I will summarize our remarks for you now.

There is no one type of child care program, no single funding system nor approach, which can be developed to respond adequately to the need for a comprehensive child care policy in this country.

However, there are a number of key principles that we believe must be addressed in the development of such a policy. Foremost, it is the Association's position that child care must be easily affordable and accessible to all parents who want it and of good quality.

Second, a variety of child care programs need to be available to meet both the preferences of parents and the needs of children at different age levels.

Third, the enactment of current Federal parental leave legislation will begin to address the special needs of working parents with newborn, newly adopted, or seriously ill children.

Finally, while many different types of funding, both public and private, need to be developed to meet the overall need for child care, it is important to ensure that different funding mechanisms do not lead to separate and segregated types of child care based on family income.

Because the Junior Leagues have been active in improving child care services, they have recognized the need for Federal leadership in Government funding to ensure quality child care. Consequently, many Junior Leagues have supported legislation at the local, State and Federal levels.

I will briefly highlight aspects of the Junior Leagues' activities regarding child care and point out the need for a more comprehensive Federal child care policy.

In my own Junior League in Greensboro, child care needs have surfaced in several of our community projects. We are at this time providing subsidies for women seeking independence as they leave the welfare roles and parenting teens trying to complete their high school education; but, as in many other communities, hundreds are going unserved.

The Salt Lake City League developed an information and referral project and quickly found the demand for child care information and referral services to be overwhelming. Further, it became apparent that additional resources including more leadership in Federal Government were necessary if the multitude of child care needs in Salt Lake City were to be met.

Testifying in support of the release of funds that are authorized by the Dependent Care Block Grant, a representative of the Salt Lake City Junior League stated:

> We must expand to be a resource . . . . Funding for this legislation would send a strong message to private business that the Government recognizes the need and that business, too, should take time to look at this issue. The successful resource and referral project, we feel, is one that creates a partnership between private busi-

ness, the Federal Government, the local community, and volunteer organizations, such as the Junior League . . .

The Junior League of Oklahoma City is among those Leagues which have been active on the issue of State child care licensing. The League supported legislation which would require regulation of day care programs and would encourage greater collaboration between Oklahoma City Council and the Oklahoma City/County Health Department to ensure safe, high quality and affordable day care.

In addition over the past year, the Junior Leagues of South Bend, Fort Wayne, Indianapolis, and Evansville in Indiana have been working in collaboration with the Council of Churches to ensure that church-operated day care facilities meet the appropriate fire regulations.

The Junior League of Philadelphia, in response to its growing concern about the lack of trained child care providers implemented Project Independence.

The project both improves the quality of child care by providing necessary training, as well as increasing the supply of child care in the community. In addition, low income women are given skills that help them to improve their economic situation.

A similar type of project was operated by the Junior League in New York City.

The Junior League of Providence, RI advocates for increased State reimbursement rates for home- and center-based child care providers and for grants and tax incentives to encourage employer-sponsored child care initiatives.

Many Junior Leagues through data compiled from child care information referral programs are able to document the special programs that parents of newborns face finding child care.

In Des Moines, the Junior League's child care subsidy and assistance program reports that requests for infant care accounted for 51 percent of the more than 2,200 calls received in the last 6 months of 1986. However, only 8 of the 69 child care centers in the community provide infant care.

Some of the children for whom care was sought were as young as 6 weeks. The average maternity leave for the majority of employees in Des Moines is 6 weeks.

As all the Junior League examples illustrate, the private and voluntary sectors are actively engaged in addressing child care needs. Yet in each instance, the importance of an expanded Federal role is also underscored.

The Association of Junior Leagues believes that the responsibility for addressing the need for child care does not rest solely with any one segment of our society, rather a strong partnership of the private sector, the voluntary section and the public sector, in all levels, is necessary.

Three more sentences?

Senator MATSUNAGA. Finish your sentences. Go ahead.

Ms. PLIHCIK. There are current Federal programs in legislation pending before Congress which we believe, when taken together best exemplify the role of Federal Government in child care.

The Association supports the Act for Better Child Care Services as reported out of the respective House and Senate Committees and urges its passage.

The Association supports the provision in current welfare reform legislation which mandates that child care be provided to all parents in work, job training and education activities, and provides for transitional child care services for families leaving welfare.

The Association supports efforts to make the dependent care credit refundable and to increase the sliding scale to improve the ability of the credit to benefit lower income families. The Association supports and urges passage of Federal parental leave legislation currently pending in the Senate. The Associate supports and urges increased funding for Title XX and the Dependent Care Block Grant Program.

Thank you.

[The prepared statement of Ms. Plihcik appears in the appendix.]

Senator MATSUNAGA. Thank you very much, Ms. Plihcik.

We will now be happy to hear from you Mr. Seidman.

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH AND SOCIAL SECURITY, AFL-CIO, WASHINGTON, DC ACCOMPANIED BY MARY LOGAN, ASSISTANT DIRECTOR

Mr. SEIDMAN. Thank you, Mr. Chairman.

May I say that sitting to my right is Mary Logan who is a specialist in the field of child care at the AFL-CIO and has been very active in the broad coalition to achieve enactment of the ABC bill.

The AFL-CIO appreciates the opportunity to appear here today to share with you our views on the role of the Federal Government in the provision of child care services. We wish to commend the Committee for holding these hearings.

We at the AFL-CIO have been urging the Congress for nearly 20 years to commit Federal resources and leadership to a comprehensive system of child care. Although the need has increased dramatically over the years, the role of the Federal Government has greatly diminished, forcing parents to rely on for-profit centers, employer-sponsored programs and church-based care.

The long waiting lists of parents of all income levels for existing centers attest to the inability of the private sector to deal with the problem.

Current Federal expenditures on child care for targeted groups, as well as the dependent care tax credit, are of critical importance. But they have no discernible impact on increasing the quality or lowering the cost of child care.

The tax credit provides some much needed relief to taxpaying families for the cost of child care. But the majority of this relief has gone to families earning over $25,000 a year. Moderate and low-income families under the Tax Reform Act have no, or very small, tax liability and receive no benefit at all from the tax credit.

The Title XX Social Services Block Grant Program has suffered drastic reductions and weakened standards. After adjusting for inflation, the fiscal year 1988 appropriation is less than half that of fiscal year 1977. Although the poverty rate for children is on the increase, as many as 22 States are serving fewer of the poor than they were in 1981.

We will continue to urge the Congress to provide child care for families working their way off welfare, to adequately fund Title XX Social Services, and to provide for the refundability of the dependent care tax credit.

All of these improvements, however, will do little to solve the child care dilemma or alter the fact that there is no comprehensive quality or affordable child care system.

The quality of much of the existing child care ranges from barely satisfactory to life threatening. Existing State child care standards and enforcement efforts are extremely varied, ranging from minimal standards in some States to those that are so lax as to seriously jeopardize the physical well-being of children.

There are constant reports of children whose lives are jeopardized and sometimes lost because of unsafe child care arrangements. Given the frequency and seriousness of these incidents, certainly no one can deny the need for child care providers to meet basic minimum standards.

Marian Edelman has pointed out that it is very inconsistent to require health and safety be met in hospitals and standards in nursing homes and not to require them for child care. It is also inconsistent for the parents who leave their children in child care arrangements, where there are no standards whatsoever, or inadequate standards, and then go to work in places which are protected—although we do not think protected sufficiently—by the Federal Occupational Safety and Health Act.

The cost of decent child care, if it can be found, is beyond the reach of all but the most affluent American families. You will find the figures with relation to that in our full statement.

The AFL-CIO is convinced that the ABC bill has all the necessary elements to begin to address the Nation's need for child care. It is carefully designed to allow the greatest flexibility within the priorities established to provide in-home, school, work or community-based centers which will best meet locally determined needs.

Administration, operation and planning will involve a partnership of parents, the community and State and local government and it will improve the quality, increase the supply and make child care more affordable for low and moderate income families.

It has been reported out of the Labor Committees in both bodies. It is ready to be voted on in the House and Senate, and we urge the members of this Committee to take an active role in bring ABC to the floor for a favorable vote as soon as possible.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Seidman appears in the appendix.]

Senator MATSUNAGA. Thank you very much, Mr. Seidman.

We will be happy to hear from you now, Mr. Rector.

STATEMENT OF ROBERT E. RECTOR, POLICY ANALYST FOR SOCIAL WELFARE AND URBAN AFFAIRS, HERITAGE FOUNDATION, WASHINGTON, DC

Mr. Rector. Thank you for having me here today. I would like to begin by saying that the views I express represent my own opinions and not necessarily those of the Heritage Foundation, which does not take stands on specific legislation.

I think that the basic set of questions that are being addressed here on the issues of families and child care can perhaps be best understood with the following analogy.

Let us ask the question: What would we do if we wanted to have a Federal Government policy to assist parents to help them feed their children?

There would be two basic approaches to this. On the one hand, we could cut taxes or give additional income through the earned income tax credit. I was astounded at the earlier suggestion that low income families do not pay taxes. They pay enormous taxes. Then the parents would be free to use those revenues to feed their children as they chose.

Or, on the other hand, we could take another approach. We could build a Federal restaurant in every community or we could give direct subsidies to selected non-profit restaurants in communities. Let us say the Federal restaurant could then provide HUD burgers to the American public.

Now, if the price of HUD burgers was well below the market rate for other food or if the HUD burger was free, we could then be assured that there would be waiting lines at the government restaurant in that community in the morning and the evening. Then we would find that the HUD burger industry would come back to Washington and say: "Uh-huh, look at these waiting lines. This proves that there is a pent-up, unsatisfied demand in the public for HUD burgers."

If they had the media contacts that some of the organizations involved in this do, they might be able to even gin up a massive campaign on the HUD burger crisis in the United States.

Then, of course, we would conclude that the best way to help parents feed their children would be to go out and build even more government restaurants, or subsidize restaurants, across the country.

I think that would be a very silly policy. I think that the more appropriate policy would be to give tax relief to those parents, allow them to have their own revenues and to use those revenues to meet their priorities which they select and not the special lobbying interests in Washington.

I think this same thing is true with regard to child care. There is a hidden premise in much of this debate, and I am glad that Mr. Kahn made it very explicit today, which is that sometime in the near future some 80 to 90 percent of 3 year olds in the United States are going to be cared for in government institutions and that is both inevitable and desirable.

I do not regard that as either inevitable or desirable, nor do I think that the vast majority of American public regards that as desirable.

I am kind of struck that in a lot of this debate we seem to be able to tolerate only one cultural stereotype at a time. In the 1950s all mothers were to be home baking cookies for their kids. In the 1980s all mothers are supposed to have Phd.D.s, they are supposed to work 40 hours a week from the time they are 23, and they are supposed to do that until they retire. If they have a child, they are supposed to stay with it a few weeks then plunk it into a day care center and get back to other things that are really important.

I think that what we need is a much more humane model to help women integrate their careers with their roles as mothers—a model based on parental choice, rather than simply subsidizing the usage of day care.

I would like to address what I think are a few myths that lie behind this issue. One of the first myths is the disappearance of the traditional family. The simple fact remains that over half of the pre-school children in the United States today are cared for at home by one or both parents. Less than 1 child in 10, of pre-school age, is currently being cared for in the type of day care center that would be subsidized under the ABC bill.

There is rather strong evidence that this is what parents prefer. By a ratio of two to one, mothers under the age of 40, say that they do not regard the increased usage of day care centers as being a good thing for children.

The second myth is that somehow families that use day care are driven by economic necessity, whereas families that do not have the luxury of choice.

But the fact of the matter is that over 80 percent of the families using day care come from two-parent, two-earner families and the median income of those families is around $36,000 a year. In fact, if you compare the husband's income in a traditional family with the husband's income in a two-earner family, the two husbands earn roughly the same thing.

What we have is not economic necessity, but simply families with different priorities and different values. I believe the Government of the United States should recognize and support all low income families with young children, rather than simply subsidizing those that happen to go with the prevailing cultural stereotype of this decade, which very easily may not be the dominant stereotype of the next decade.

During the question and answer, I would like to get into a lot of these questions about the alleged short supply of day care. I would simply point out that there is simply no analytic work, no substantive work, which verifies the existence of this alleged short supply.

Thank you.

[The prepared statement of Mr. Rector appears in the appendix.]

Senator MATSUNAGA. Mr. Rector, I am intrigued by your HUD burger analogy. Going one step further, do you not believe that perhaps all burger restaurants should be inspected for food safety violations?

Mr. RECTOR. Yes, I think that they can be inspected in exactly the way they are now, which is by the State government.

Senator MATSUNAGA. Okay.

Mr. RECTOR. I really am amazed by the treatment of State Legislators in a lot of this debate. I mean, you would really think that these State Legislators were a cabal of child molesters, according to the way that people refer to them.

The fact of the matter is that they do very serious work in dealing with the difficult trade-off between the rigorousness of day care standards and the availability of supply. I would simply point out that the advocates of ABC have addressed that particular question with extreme simplicity. They have ignored it entirely. I think that fact alone is the most striking evidence of why the Federal Government should not be stepping into this area.

There has been no homework done here, no serious investigation. I think that the State Legislators are best able to handle this, just as they are best able to handle the health standards in the burger restaurant.

Senator MATSUNAGA. Mr. Seidman, in your testimony you have indicated that only a few unions have had limited success in pursuing child care benefits during negotiations. What are the main obstacles cited by employers in providing for financing child care services and how can the Federal Government assist in reducing these barriers?

Mr. SEIDMAN. Mr. Chairman, as you know, the last few years have not been easy ones for unions in negotiating expansion of employer-provided benefits. Unions have had to focus on staving off wage reductions, on staving off health care take aways, on protecting their pension rights. It has been very, very difficult for most unions, although they recognize the urgent need, to negotiate for child care benefits of any kind.

As our testimony makes clear, there are only 3,500 employers in the country who do anything at all with respect to child care. In most cases, employers helped in financing child care or in making child care information available in terms of the resources in the community but that is all only a very few have provided actual child care services. It has been just very, very difficult for unions to negotiate on that issue.

On the other hand, I will tell you that there is no issue that I know of that has excited more interest and concern on the part of union members and union officers all over the country. We hear that in every meeting that we hold. It figures in every union publication and we regard it as a very, very serious matter.

We support enactment of the ABC bill, which we regard as a very modest beginning. It is not a full flown, comprehensive program that we would like to see, but it is a very important beginning. We think that that would be a long step forward. And among other things, if unions were able to negotiate with their employers for child care benefits it could be used to make that possible or to improve upon those benefits.

Senator MATSUNAGA. Senator Packwood, any questions.

Senator PACKWOOD. Yes. Mr. Rector, I want to make sure I understand your economics. I am reading from your statement. Some 83 percent of children under age 5 in day care are from two-parent, two-earner families. The median income for such families in the United States is $38,346. The median income of a traditional two-parent family with one earner on the other hand is $25,803.

I have no idea how the $38,000 breaks down between husband and wife, in terms of who earns how much.

Mr. RECTOR. It is about 30 percent to the wife on average.

Senator PACKWOOD. About what?

Mr. RECTOR. About 30 percent.

Senator PACKWOOD. The wife on the average earns 30 percent of the what the husband earns?

Mr. RECTOR. Of the total income.

Senator PACKWOOD. Given that situation then, the two family earner earning $38,000, roughly, would be earning $25,000 if the wife did not work.

Mr. RECTOR. Right.

Senator PACKWOOD. What you are saying is in some families for whatever reason the wife prefers to stay home and they should not have to subsidize the one that wants to go to work.

Mr. RECTOR. That is right. If you compare the average traditional family, where the mother is out of the labor force, the husband's income is in the range between $26,000 and $27,000. If you look at the two-earner family, the husband's income is about 10 percent less than the income in the traditional family where the father is employed.

The other thing to focus on——

Senator PACKWOOD. I did not follow that.

Mr. RECTOR. Okay. If you take the traditional family, let us call them the Smiths, where Mr. Smith is employed and Mrs. Smith is out of the labor force.

Senator PACKWOOD. Okay.

Mr. RECTOR. His income is around $27,000 a year. If you take the Jones, where the average family where both of them are working, his income is roughly 10 percent less than Mr. Smith's.

Senator PACKWOOD. Okay.

Mr. RECTOR. But the more important thing is that if you look at low income families—if you look at families with young children—earning less than $15,000 a year, the largest single category of families in that income class happens to be traditional families. I call these families, America's forgotten families.

There are more traditional families with the husband working——

Senator PACKWOOD. Do not take me further than what I wanted to know. I just want to know about the income for the moment. You have answered the question, but I have some others I want to ask.

Mr. RECTOR. Okay.

Senator PACKWOOD. By the way, since you made your statement about State Legislators are not child abusers, somebody has handed me a letter that Senator Wallop has received from the Chair of the National Conference of State Legislators, stating that one of the requirements they have for endorsing a bill is to permit States to retain authority in the area of child care standards.

Mr. RECTOR. Right.

Senator PACKWOOD. That is from the State Legislators themselves. As you know, the National Governor's Association also is on record as not wanting the States preempted on their standards.

Mr. RECTOR. Yes.

Senator PACKWOOD. But I want to ask another question. You say in your statement:

> There is no clear evidence, however, that the premise of these bills is correct. To the contrary, there is no persistent shortage of day care in the United States. Day care is a rapidly growing industry.

Basically, you are saying the facts do not justify the premise of the bill, forget whether you want national standards or not. Ms. Blank, do you agree with that?

Ms. BLANK. No, I do not agree. Before I answer that, I would just like to point out that, we support help for parents who stay home. We think, though, that we do have children in child care and our first priority is the kind of care they get during the day.

We would greatly support what European countries do, which is adequate child allowance.

Senator PACKWOOD. Now wait a minute. I only have 5 minutes.

Ms. BLANK. Okay.

Senator PACKWOOD. I want to know if you agree with Mr. Rector.

Ms. BLANK. No. We think there is a—

Senator PACKWOOD. A shortage?

Ms. BLANK. As we work with resource and referrals programs across the country, in every city they tell us—especially in terms of infant care—they have enormous shortages. There is a program in Baltimore that had a given parent——

Senator PACKWOOD. All right, you do not agree with his premise?

Ms. BLANK. Absolutely not.

Senator PACKWOOD. All right.

Ms. BLANK. We did a survey of employer-sponsored child care programs.

Senator PACKWOOD. I know you do. I want to find out from the other witnesses.

Ms. BLANK. All right.

Senator PACKWOOD. Ms. Plihcik, do you agree with his premise?

Ms. PLIHCIK. No.

Senator PACKWOOD. Mr. Seidman?

Mr. SEIDMAN. No, we do not agree with him.

Senator PACKWOOD. All right. Now, the second statement:

> There is no documented national shortage of child care, nor does the short supply of certain types of day care in some communities constitute such a crisis that swift sweeping action has been taken this year by Congress.

This is from Bill Robin, the National Child Care Association.

You wouldn't agree with that statement either?

Ms. BLANK. No.

Senator PACKWOOD. And third:

> There are not comprehensive national data on the number, types and quality of child care facilities in the United States.

Ms. BLANK. We need better data. I do not think that is a reason not to act. That is true.

Senator PACKWOOD. How do we know there is a shortage if we do not have the data?

Ms. BLANK. We have some good State and local data about parents' needs. We have good data on—a number of studies have looked at parents in the work force and they indicate that parents' greatest concern is the quality of Care in the——

Senator PACKWOOD. I understand that. But how do we know—how can we make a conclusion as to what we need if we do not know what is available?

Ms. BLANK. We do know that there are great shortages in many communities. We have studies on parents' child care arrangements at a State and local level that gives us enough of a sense to know what to look for. We have comprehensive studies now being conducted on child care.

Salaries—There have been numerous studies on the availability of child care and its relationship to work and welfare that all reach the same conclusion. It is the lack of child care at a reasonable cost that is keeping low income women from working or participating in training programs.

We have, I believe, enough State and local data, and enough data from parents to indicate that we have a serious problem. I believe ABC is flexible enough.

Senator PACKWOOD. This last statement, I will read it again because this does not come from a provider:

> There are not comprehensive national data on the number, types or quality of child care facilities in the United States.

It is from the Library of Congress, a CRS Study, on March 22 of this year.

They have no axe to grind in this. They may conclude what you would conclude if they had the data. But they simply say it is not available. It is hard to support your premise.

Ms. BLANK. I think we have enough data to act. We also have data on the State child care standards. From that, I think we have enough reason to believe that if we are spending Federal money that we should be tying them to minimum Federal standards.

Senator PACKWOOD. I interrupted Mr. Rector. I think he wanted to answer to just one thing here.

Mr. RECTOR. I think that Mrs. Blank just put her finger on it. There are parents who do not have, necessarily, enough money to pay for the quality of care that they want. That is a separate issue from saying, there is a major market failure. There are chronic bottlenecks in the day care industry that will permanently prohibit the private sector from expanding supplies to meet demand if parents had more money to pay for day care.

The National Child Care Association—here I give you the preliminary results of a survey that they are conducting nationwide—shows that in every State that they have looked at so far, the day care centers that they have talked to on average have vacancy rates of between 15 and 30 percent.

The Kinder-Care, Gerber, and the other child care chains have an average vacancy rate, as I understand, of about 30 percent. It is extremely difficult to reconcile that. I would just ask you to get on the phone and call a day care manager in various States who is not working at subsidized rates and see if they have vacancies. I have yet to find one that says, "Absolutely, I am stuffed to the gills. I cannot take another child."

Senator PACKWOOD. Well, we are going to have Kinder-Care testify and I think they are going to say that they have vacancies.

Mr. Rector. Right. Exactly. It is very difficult to reconcile that——

Senator Packwood. They are on the next panel.

Mr. Rector. —with the idea of a structural deficiency. What parents need is more money to pay for the better quality care. Put the money into the parents hands, not into the hands of a government day care industry.

Ms. Blank. That is what ABC does—75 Percent of the money goes to helping parents take care——

Mr. Rector. I would also say that I have not yet talked to a single private sector day care provider who believes that there is going to be one penny of this money coming out in the way of vouchers that will go into the hands of parents. It is simply naive.

Senator Packwood. Thank you, Mr. Chairman.

Senator Matsunaga. Senator Durenberger, any questions?

Senator Durenberger. I would like to explore the same line Bob was on but I am not sure if I dare. All of this is definitional.

The question I would like to ask, but I am afraid to, is: What is child care?

Because all of us respond to this mainly experientially and yet if you ask every single person who works for you, works with you, testifies at all of your town meetings that all of us have had, and all this sort of thing, there is a wide variety of definitions of child care depending on a particular need, a particular set of circumstances, the availability or non availability of family of certain times of the time, week, month, year and all that sort of thing.

So, I hope you will pardon us at this very first hearing, I think, on this subject here for doing what Bob Packwood just tried to squeeze into 5 minutes, and that is try to ask some definitional questions. That is the same reason that I asked the questions earlier about comparing the way in which we deliver services.

I usually say this is a $75 billion a year opportunity for which we only have $2 billion answers, or something like that. Yet, if you want us to alter tax policy or you want us to alter policy in some other way, it really would be very helpful to each of us to be able to see farther down the pike, if you will, in this country than we are able to see when we only address these near term solutions.

I go through Bert's testimony and I see the long waiting lists of parents. I guess this is the answer to Bob's question. "The long waiting lists of parents of all incomes for existing centers attests to the inability of the private sector to deal with this problem."

Well, I hesitate to do this, but I think that is sort of a nonsequester. Even if it were true, it does not mean the private sector cannot handle the problem. It probably means that we are not putting the right set of stimuli or the right resources out there or something like that.

Is that not what that means?

Mr. Seidman. Well, what it means is, in the first place most workers, particularly if they have two children in that age group, find it almost impossible to finance any kind of quality child care.

Second, because they do, the child care facilities are not being provided. That means that because the child care facilities are not being provided and there are no funds for the assistance of the provision of child care, it means that you have these waiting lists.

So, it seems to me there is no inconsistency involved in this at all, with due respect, Senator.

Senator DURENBERGER. Yes. How about the statement that "The person earning the minimum wage of $6,968 a year, the cost of day care for two children would be 100 percent of his or her gross income." Where is that cost taken from? Is it some specific city?

Mr. SEIDMAN. It is taken from the best information that we can get, which is that if anybody wants to have quality child care, they are going to have to pay about $3,000 per child.

And as Mary Logan and I know because we have tried to set up a child care center for employees of unions, it does take that kind of money if you do want to set up a quality child care program and pay anything like—and I want to emphasize this—anything like decent wages to those who are employed in such centers.

Senator DURENBERGER. Let us assume that Mr. Rector is correct and that some of the witnesses following on may be correct about the supply and demand.

Do any of you want to talk about the quality of care or concerns about the lack of quality of care in the existing system which may or may not be in a situation of excess or shortage of supply?

Ms. BLANK. I would like to.

Senator DURENBERGER. Yes.

Ms. Blank. I think that what the quality of care is does not give, in many States, does not give parents choice for decent care. I think many parents would want certain things and they are not getting it.

One, that their children get enough attention from a care giver to thrive. We have one State that allows a care giver in a family day care home to take care of 18 children. I do not think any parent would want that. There are seven States that allow care givers to care for anywhere from 10 to 15 children. We have seven States that say, you do not have to wash your hands—Mr. Rector thinks this is ridiculous. We have debated this—after you diaper a child and before you prepare food.

Yet, you can talk to any pediatrician—we are all concerned about our young infants and care. We do not have paid leave so people in this country, parents, are putting their infants in care younger than anywhere in the whole world.

One of the cheapest precautionary measures against the spread of infectious disease is to wash your hands after diapering. If you are in seven States, a parent does not have a choice in putting a child in a child care center that guarantees them that right.

In 30 States in this country, you cannot drop in unannounced at your child's child care program. Parents are an important source of monitoring child care programs but they do not have the right to an unannounced visit. I do not think one care giver can care for eight babies at a time.

I do not think that we ought to be asking parents to make those choices. It is not even a matter of evacuating children it is a matter of giving babies what they need during the day—feeding them, diapering them, and holding them, and talking to them.

I do not think the quality of care is what we need for our children. I think that if you visited child care programs, whether you are talking about centers or family day care homes, in many States you would be very happy about the kind of care children are getting.

Not that people are not trying very hard. We also have workers who receive no wages. We have children in programs who see five, six care givers in one center in a single year because we have a 42 percent turnover rate in child care centers and a 67 percent rate in family day care homes because of the low wages. It is not good for a child to have multiple care givers and that is a key issue in terms of quality.

We have a long way to go. Some of it is basic safety but a lot of it is nurturing.

Senator MATSUNAGA. Thank you.

Mr. RECTOR. May I make a comment on that or would it be inappropriate?

Senator MATSUNAGA. Do you have something?

Mr. RECTOR. Yes. I would just like to say that there seems to be a general recognition that the highest quality of care is care by a mother, and then care by perhaps a grandmother, and then perhaps by a neighbor from the neighbor, and then care in a day care center.

It seems to me that the ABC bill in its approach has the whole question of quality turned entirely upside down. When you do get to the question of quality of care in a day care center, particularly when you are talking about the number of children that are being cared for by a single worker, you simply have to be aware of the trade off between the availability of care, the cost of care and the stringency of the regulations.

In my testimony I provided a regression analysis and a chart which shows the relationship between the stringency of care in this area and the availability of day care in different States across the Nation. That is a trade off which all State Legislators are grappling with between the quality of care and the availability of care. They are taking it very seriously.

I do not think the proponents of the ABC bill take it very seriously at all because they simply pretend that this trade off does not exist. They have not produced a single study of the impact of their proposed regulations on the availability of care. They would simply like the issue to go away and they are going to try to ignore it to death.

Senator MATSUNAGA. Well, thank you very much, all of you. We certainly appreciate your being with us.

Our next panel of witnesses consists of Mr. Forest D. Montgomery, Counsel, Office of Public Affairs, National Association of Evangelicals, here in Washington; Mr. Jack L. Brozman, President, La Petite Academy, of Kansas City, MO; and Ms. Ann Muscari, Vice President for Corporate Communications, Kinder-Care Learning Centers, Inc., Montgomery, AL.

Mr. Montgomery, we will be happy to hear from you first.

STATEMENT OF FOREST D. MONTGOMERY, COUNSEL, OFFICE OF PUBLIC AFFAIRS, NATIONAL ASSOCIATION OF EVANGELICALS, WASHINGTON, DC

Mr. MONTGOMERY. Mr. Chairman, on behalf of the National Association of Evangelicals, I want to express our appreciation for the privilege of testifying before this distinguished Committee on the child care issue. This is our first Congressional testimony on this question.

The NAE is an association of some 50,000 United States churches, with 6 million members from 78 denominations. We serve a constituency of 15 million through commissions and affiliates such as the National Religious Broadcasters.

At the outset, let me say I am not a child care expert. I am not here to bombard you with more facts and figures. But I am here to indicate in a few brief remarks where NAE stands on child care.

We support the Holloway-Wallop bill. We oppose the Dodd-Kildee ABC bill. The ABC bill, if enacted, we are told would be a first step. In our opinion it is a first step backwards.

We favor the Holloway-Wallop tax credit approach for several reasons. It preserves parental choice in child care. Being available to all parents, it does not discriminate against full-time mothers. Tax credits can be structured to direct the benefits to low income families.

Last, and most important, the tax credit approach to child care would not discriminate against parents with firm convictions that child care should incorporate a spiritual dimension.

This brings me to our main concern with the ABC approach. Frankly, we were stunned by the anti-religious provisions in the ABC bill as introduced. The June 28th substitute changes the language but the remaining remains essentially the same. No religious day care centers need apply.

This hostility to religiously-based day care cannot be squared with our first liberty, freedom of religion. Presumably, excluding religiously oriented child care from Federal benefits is thought by some to be a constitutional imperative though that view subordinates religion to irreligion. In our opinion, they are mistaken.

In any event, Congress should do what is right and leave highly speculative concerns about the continued vitality of the Supreme Court's Establishment Clause doctrine to the Court. We see no justification for discriminating against parents who take scripture seriously in raising their children, and for whom strictly secular child care is woefully inadequate.

Churches run about one-third of the child care centers. It makes little sense, if there is a child care crisis, to fail to help them on the same basis as their secular counterparts, And it makes no sense to discriminate against parents with religious convictions who entrust their children to church child care, especially in a nation whose motto is "In God We Trust."

I have two additional comments to my written statement which are prompted by what I have heard here today. We all know that there are simply not enough Federal dollars to fully meet the child care dilemma. That being the case, it makes sense to focus 100 percent of the financial effort, at lease initially, on the families with low incomes—incomes under $15,000. America's, as we have heard today, forgotten families.

Inside the Beltway, we talk about $60,000 incomes as if they were a common place. In rural West Virginia, where I am a joyful weekend resident, such an income would be a small fortune to most. Simple equity, if not compassion, indicates that the help should be directed where it will do the most good.

The second comment. It is no answer to blithely say that church child care is eligible for Federal help if it is not sectarian. The notion of secularized church care to us as Evangelicals is an oxymoron. Evangelical churches will take little comfort in the callous suggestion that they can qualify for child care help if they forfeit the reason for their very existence.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Montgomery appears in the appendix.]

Senator MATSUNAGA. Thank you very much, Mr. Montgomery.

We will now hear from Mr. Brozman.

STATEMENT OF JACK L. BROZMAN, PRESIDENT, LA PETITE ACADEMY, KANSAS CITY, MO

Mr. BROZMAN. Mr. Chairman and members of the Committee, my name is Jack Brozman. I am president of La Petite Academy, one of the largest private sector providers in the Nation. We have been in the child care business for over 18 years. Today we operate 650 schools in 28 States. Our 10,000 teachers, director and staff care for over 70,000 children daily, ranging in age from a few months old to 12 years.

The current child care debate is focused on three factors—amiability, affordability and quality. My remarks this afternoon will be devoted primarily to the Government's role in addressing the issue of affordability. I would like to stress, however,that these factors are all interdependent.

There are two principal theories on the appropriate role of the Federal Government in providing affordable child care. One theory would give taxpayers' money to Federal and State bureaucrats with the assumption that they are in the best position to determine child care needs. This theory is exemplified by the proposed act for better child care.

This legislation would create not one, but two new bureaucracies—one at the Federal level and one at the State level. At the Federal level the bill would establish an Administrator of child care who would publish State standards, issue Federal regulations, monitor State compliance and approve State plans. This bill also calls for a 15-member National Advisory Committee on Child Care.

At the State level, the bill would require each State to draft a State child care plan, to develop day care advisory committees, and hold annual child care hearings in every region of the State. The State would then determine what type of child care to provide, which families would receive it, and where it would be provided.

The other theory on the Federal Government's role in providing child care is based on the assumption that parents are in the best position to choose what is best for their children. This theory, as reflected in several alternative bills, is based on the belief that the most efficient way to ensure parental choice is by giving assistance directly to the parents.

It is argued that this can be accomplished most effectively by use of the Federal Tax Code. We agree with this. Utilizing the tax code offers three principals advantages and means of Federal support for child care.

First, it ensures that parents, not bureaucrats, choose what child care services their children use. The need of parents are extremely diverse in the present child care market reflects this enormous diversity. By providing child care assistance directly to the parents, they are in a better position to choose the arrangement that best suits their needs.

Second, the program wastes virtually no money on administrative costs. Whereas, under the ABC bill, a full 25 percent would go to administrative costs.

Third, the assistance can be targeted to those who need it the most. Whereas, under the ABC bill, in addition to the fact that there would be a smaller percentage of funds reaching the needy families, the structure will be too cumbersome to effectively target the needy.

Mr. Chairman, I would encourage the Committee to review several provisions of the Tax Code which would provide alternative ways for the Federal Government to further participate in providing assistance to the families in need of child care.

One way to put more Federal money in the hands of low income families in need of child care is to amend the dependent care tax credit. We are suggesting three possible amendments.

First, limit the tax credit to low income families. The additional monies could then be used to give a higher percentage credit to lower income families. In addition, the credit could be made refundable. By eliminating the administrative expense and delivering that support, additional funds could be delivered directly to low income families without the need for expensive and cumbersome administrative procedures and bureaucracy.

The second way the tax system can help to provide affordable child care is through the increased use of flexible spending accounts. This Committee could explore ways to encourage businesses to make flexible spending accounts available to their employees.

As a third way, we believe that the Committee should explore providing further tax incentives to businesses participating in employer-provided child care. La Petite's on-site child care centers have been extremely well received by corporations and the families who use these facilities. By providing this service, corporations benefit by less absenteeism and turnover, higher productivity and better morale. Parents benefit by the convenience of having the child near them and the option to visit their children during the day. Although some businesses have recognized the benefits of on-site care, additional tax incentives are needed to encourage Wider use of employer-provided care.

La Petite is committed to providing the highest quality child care. We believe, however, that affordability is a key issue and cannot be sacrificed. We recognize that the Federal Government plays a role in providing child care. The Federal pole provided by the ABC and similar bills, however, could foster devastating effects on the child care system in America and ultimately on our children.

Most importantly, parents have proven they are wise consumers in the child care marketplace and consider many factors in their choice of a desirable and affordable child care arrangement. If you usurp this important right and responsibility of parental choice and place it in the hands of the State, it would be a catastrophe.

Moreover, because the Tax Code alternative would operate within the existing tax system, virtually every dollar would go directly to advancing our children's child care. On the other hand, if the money were to be distributed through the States, an enormous amount of money would be lost to administrative, implementation, enforcement and other bureaucratic expenses.

Finally, with limited Federal resources it is important to be able to target those families who are most in need of Federal resources. Amending the Tax Code that I discussed earlier, is the simplest, most direct and efficient means to this end.

La Petite would be pleased to work with the Committee in helping to design a truly effective role for the Federal Government in child care.

I thank you very much.

[The prepared statement of Mr. Brozman appears in the appendix.]

Senator MATSUNAGA. Thank you very much, Mr. Brozman.

We will be happy to hear from you now Ms. Muscari.

STATEMENT OF ANN MUSCARI, VICE PRESIDENT FOR CORPORATE COMMUNICATIONS, KINDER-CARE LEARNING CENTERS, INC. , MONTGOMERY, AL

Ms. MUSCARI. Mr. Chairman and members of the Committee, I appreciate all of you staying at this late hour. I have enjoyed the afternoon. I have learned a lot.

My name is Ann Muscari. I am the Vice President of Corporate Communications for Kinder-Care Learning Centers. I am here today on behalf of Kinder-Care, the largest proprietary center-based child care provider in the United States.

We were founded almost 20 years ago and we now operate over 1,100 centers in 40 States. Our 16,500 employees provide quality care to over 100,000 children.

I want to digress to a little reality. I am a 1950s woman. I raised three children, beginning at home as an at-home mother. I became a single mother and college educator all three. I have been a working woman for several years—many years—and I am now the grandmother of two small children who are part of a two-earner working family. So I am very much in touch with the topic that we are talking about today, not only professionally but personally.

We are part of a young and a vibrant and growing industry which is working to meet child care needs of young families. We are in a service industry, dominated by small businesses that seek to provide quality, licensed care at an affordable cost.

I should say here that each and every one of our Kinder-Care Centers are licensed and regulated by the State in which they operate. In most cases, this means that we are inspected by fire, safety, health, sanitation, environmental and State licensing officials. The fact is that private center-based child case is one of the most regulated industries in the United States today.

Some of the child care proposals now pending in Congress call for still another layer of regulation—this one at the Federal level. Federal regulation would increase the cost of child care, divert resources toward the establishment of a bureaucracy and away from the children in need of care, and also have an impact on parental choice.

These Federal regulations would drive many providers underground and stifle the supply of child care at a time when the need has never been greater and shows every sign of continuing to surge. We, the private providers, are not per se against regulation or even against standards.

On the contrary, the States in which Kinder-Care is expanding the fastest are the States with the tightest standards. We are, however, strongly opposed to artificially imposed Federal standards that do not take into account the unique set of circumstances that exist in each State.

Some proponents of Federal regulation have asked me:

> Would it not be easier for you, administratively, to comply with a single set of standards, rather than deal with a myriad of standards in the 50 States?

The answer is, it sure would. But, administratively is not the answer when the major factor is when one considers the regulations would substantially reduce the availability, the affordability, and in the aggregate, even the quality of child care. The States are best qualified to determine the special child care needs and the concerns of their citizens.

You have an article before you that addresses this problem. Child care is above all else an economic issue. But, the economy of Oregon is very different from the economy of Texas. The parents of children in our 131 centers in Texas have a definite idea of what they want, and what they need, and what they can afford in the way of child care. These parents' attitudes, priorities, and their economic status are often different from those parents in, say, New York or Kansas.

It is difficult to set standards that are workable in both urban and rural settings within a single State. If the supply of child care is to keep pace with the rapidly rising demand, it is essential that there be a favorable climate for its growth.

Of all the regulations, child/staff ratios have the most direct bearing on the supply of child care. Virtually all States have regulations limiting the number of children one staff member can care for in a child care center. Since staff salaries comprise one of the largest components of our costs, child-staff ratios impact dramatically on the cost of care to the parents and to the provider.

The ABC bill would require that child/staff ratios be set at the median level for all States. By definition, 25 States would be automatically out of compliance. Obviously, in these States federally mandated child/staff ratios would cause parents of a smaller number of children to bear the labor costs of each staff member and thereby increase the tuition for each child.

Another adverse impact of the Federal regulations is the creation of a Federal bureaucracy. The bill calls for an administrator of child care, who would be required to issue Federal regulations, publish standards, review and approve lengthy and complex State plans, monitor State compliance and establish a national advisory committee on child care standards.

The Secretary of Labor, Ann McLaughlin, has stated that a similar program run by her Department requires 500 people to operate. That is not an inexpensive activity.

In conclusion, let me say that Federal regulations are not the answer to ensuring quality child care. Regulation of child care is best left to the States which are more attuned to the special needs and concerns of their citizens. The Federal Government does play an important, but a limited role in the provision of child care. We believe this role should be structured to minimize regulation and bureaucracy, address budget constraints and maximize parental choice, and provide assistance to those most in need.

Thank you.

[The prepared statement of Ms. Muscari appears in the appendix.]

Senator MATSUNAGA. Thank you very much, Ms. Muscari.

The principal sponsor of the Senate ABC bill Senator Dodd, was supposed to have been here but due to his inability to be here he has asked me to put these questions to you.

Mr. Montgomery, as you know the revised ABC language has only boiler plate Federal statutory language used in all Federal legislation and it allows church-affiliated to discriminate in hiring and admission of non-ABC funded children.

Now, the question is: Do you believe there should be no requirements regarding separation of church and State in Federal Child care legislation?

Mr. MONTGOMERY. Well, the National Association of Evangelicals, Mr. Chairman, certainly believes in the separation of church and State.

Indeed if I might digress a moment, it was not that long ago that—joined with others—NAE sued the President of the United States for appointing an Ambassador to the Vatican. But what I meant to indicate in my testimony was that we dispute the notion, the absolutist notion that there has to be absolute separation of church and State.

As we read the Constitution, there is nothing in the Constitution that says that Congress has to prefer irreligion to religion, and I do not need to go over with you the heritage of this country as far as, you know, our belief in God and the religious roots of this Nation.

I am a member of the Bar of the Supreme Court. I think we are witnessing a court in transition with respect to its Establishment Clause doctrine. I did not come here today to deliver some sort of Constitutional treatise. But if I may just mention that the dissenting opinion of now Chief Justice Rhenquist in the *Wallace* v. *Jaffree* case, the *Alabama School Prayer* case. For 23 pages he took to task the historic revisionism of *Everson* v. *Board of Education.*

He has been joined by other members of the Court who are questioning the Court's own doctrine. I think the way the Court has been shaped by President Reagan, as I have said, contributes to this transition. I think some of the exaggerated notions of what Congress may or may not do are going to undergo a thorough overall.

I see no problem, for instance, with tuition tax credits to parents who may then send their children to any school of their choice. I think *Mueller* v. *Allen,* a Minnesota case, and the *Witters* case involving the State of Washington, support that proposition.

And so I am just suggesting that as in this legislation we have certificates, which seem to me very much like vouchers, but which under this legislation could not be used to send children to a religiously-oriented child care, we think that that is not called for by any constitutional imperative.

Senator MATSUNAGA. The second question from Senator Dodd to the panel is: How can child care tax credits help low income families pay their child care expenses on a weekly or monthly basis, the time period in which they have to pay their bill?

Ms. MUSCARI. That is a good question. I think perhaps the——

Senator PACKWOOD. You make them refundable. Assuming the people are working; if they are not working you have another matter. But you make them refundable and you can use the earned income tax credit. There is a variety of ways you can do it.

Senator MATSUNAGA. Yes. Well, I am speaking——

Mr. MONTGOMERY. Senator, another possible answer is simply to adjust withholding. So you withhold less, then that makes income currently available.

Senator MATSUNAGA. Of course, the implication here, I believe, is that they do not have the money to begin with.

Mr. MONTGOMERY. Well, if it is a matter of Federal income taxes they do not. It is a rare poor person—working poor—that does not pay social security taxes and you can certainly structure and formulate something to make allowance for the social security end of the taxation which, and I think you have hit the nail on the head, that is often the chief Federal tax that the working poor have to pay.

Senator MATSUNAGA. Mr. Brozman, anything?

Mr. BROZMAN. No, I think the refundability issue is the answer here.

Senator MATSUNAGA. Okay. Now, the final question. How many families do you think the $400 Wallop tax credit would allow to either have a parent stay home or buy good child care? Any estimate that any of you have?

Mr. MONTGOMERY. A $400 credit?

Senator MATSUNAGA. Yes. How many families do you think the $400 Wallop tax credit—Senator Wallop's proposal—tax credit would allow to either have a parent stay home or buy good child care.

In other words, would $400 be enough to stay home in lieu of a full time job?

Mr. MONTGOMERY. Well, I think we have all witnessed here today the sad fact that the dollars simply are not there. That is why I indicated one of my additional comments to my written statement, that because there are such limited funds at the Federal level, we ought to channel 100 percent if those to those who need them the most.

We are not saying that other proposals are perfect. We came here to testify because of a basic approach here, and one approach would secularize child care in this country and the other would not because it preserves parental choice.

The ABC bill as I understand it, the amount of benefits that actually trickle down in a dollar sense to the families is even less, so I do not know that the point is well taken.

Mr. **Brozman**. Mr. chairman, I do not think that the $400 would influence a lot of people to go to work, you know, because they would have that credit on child care.

I do think the issue here is affordability. The availability is there if it is affordable; that is why I somewhat concur with Mr. Montgomery. We need to subsidize the lower income families because those are the ones with the affordability problem. If it is not available, then why are my schools and Ms. Muscari's schools only 70 percent full?

I have yet to see any data that really proves what I have heard in some prior testimony—that there is long waiting lists at every center in all these categories. I just do not see that right now. And I think the issue, instead of availability, is the affordability.

And if I could add one thing to that on the subject of quality, I think the situation on quality is one that is very important to all of us in child care, as a provider and a parent myself. It is very important. But I think the reason we do not have the quality we should—one of the primary reasons—is the enforceability of the regulations we have now.

The number of workers that are in licensing, that are inspecting these centers, has not risen as the number of providers have and the enforceability is not there. I think we would do far better than we are doing today in terms of quality in all centers if there were enough workers to adequately enforce the regulations what we have now. And I, as Ms. Muscari said, support tougher regulations in States where they are a little weaker.

Senator **Matsunaga**. Yes, Ms. Muscari.

Ms. Muscari. I would like to make one other comment. I think that some of the arguments that we have heard have focused on the family day care environment, and I think it is very important for us to recognize that the family day care environment is by and large totally unregulated. The majority of those homes are registered, which simply means they write a letter to the State and say, I have a family day care home. And I think, unfortunately, much of what has happened in family day care has washed over and been credited ho child care centers.

I heard today accusations that children were so in jeopardy and unsafe, and that people were not washing their hands. I am in centers every single day in every month of the year and I see people washing their hands, and children well cared for, and lots of inspection being done by those people that run the centers.

So I think it is important to decide what we are talking about—the family day care home or child care centers. Family day care is trying to upgrade. There is no doubt about that. But we do not want to be lumped with them.

I also do not think we came here today to say that tax credits were the only answer. There must be support for the working poor. We are not opposed to that at all.

Mr. MONTGOMERY. Mr. Chairman, let me say, having worked for the IRS and been a Government employee in the Treasury Department for a quarter of a century, it brings tears to my eyes my colleagues suggestion here that a Tax Credit is a subsidy. It simply allows the taxpayer to keep some of what he has earned.

Let me just recount a specific here. I referred previously to the fact that I am a weekend resident in West Virginia. In this small town of Yellow Spring, WV which does not even have a traffic light, there is one day care center called "The Little Me, Great Me Day Care Center." It has a religious dimension.

Even as modest a figure as $400, the figure you mentioned—here in Washington we speak in billions—out there they speak more in terms of hundreds. Even $400 would go a long way in that environment. They are not spending—I cannot give you chapter and verse, but I cannot imagine those local residents are spending anything like the national average of $3,000 per child in that child care center.

For one thing, I know the people involved in it and a lot of it is volunteer help. I have contributed to it myself in a modest way. I just think that in that kind of a situation the Federal dollar goes as far as it is ever going to go. And that is why I think it ought to be targeted to the low income family.

Senator MATSUNAGA. Well, thank you very much, all three of you for appearing before the Committee. We appreciate your taking your time.

Mr. MONTGOMERY. Thank you, Mr. Chairman.

Mr. BROZMAN. Thank you, Mr. Chairman.

Senator MATSUNAGA. Thank you very much.

The Committee stands in recess subject to the call of the Chair.

Whereupon, at 4:32 p.m., the meeting was concluded.

[The prepared statement of Senator Boschwitz appears in the appendix.]

APPENDIX

ALPHABETICAL LIST AND MATERIAL SUBMITTED

Statement of

DOUGLAS J. BESHAROV*

Before the

SENATE FINANCE COMMITTEE

September 22, 1988

Mr. Chairman, thank you for inviting me to testify before this committee. My name is Douglas Besharov. I am a lawyer and resident scholar at the American Enterprise Institute for Public Policy Research. I am also on the adjunct law faculties of both Georgetown and American Universities.

Two weeks ago, the Democratic leadership in the House killed the Act for Better Child Care Services (ABC). Apparently, the bill's great cost, the church-state issues that it raised, and its failure to reflect the importance of parental choice were insurmountable obstacles.

Like many others, I had deep misgivings about many of the ABC bill's provisions. But I am afraid that the bill's proponents may overreact to the defeat of this ambitious legislation. In their disappointment over the ABC bill's fate, they may forget about the strong support that exists for increased federal aid to low-income children, served now through the Head Start and Social Services Block Grant programs.

I believe that the federal government can--and should--do a better job in meeting the child care/child development needs of disadvantaged children. To do so, I believe that the Head Start program should be improved and modernized to reflect contemporary conditions, and that it should be expanded to serve poor children for a longer period in their lives.

To pay for this expansion of Head Start, I believe that the Child and Dependent Care Tax Credit should be capped and the resultant savings re-directed to a revitalized Head Start program. My testimony focuses on the issue of capping.

A Regressive Tax Break

The biggest federal child care program of them all is the Child and Dependent Care Tax Credit. But it is so poorly targeted, and allows so much abuse, that about half its benefits provide an unjustified tax break for upper-income families. Targeting the credit to low- and moderate-income families would free up nearly $1 billion a year, money which could be used to help the families who need it most.

Tax benefits under the credit will reach an estimated $4 billion in 1988, with approximately 9.6 million families claiming an average credit of $419.[1] A shocking proportion of these credits go to middle- and upper-income families: Nearly half go to families with incomes above the median. In 1985, less than 1 percent went to families with adjusted gross incomes below $10,000, and only 13 percent to families with adjusted gross incomes below $15,000.[2] So few lower-income families can benefit from the credit that less than half of all working mothers claim it.[3]

The credit's distributional defects are steadily worsening, as its cost increases by $500 million a year. A recent Urban Institute study found that, because of recent tax law changes, families with incomes under $12,000 will receive half the benefit they did in 1985, while those with incomes over $32,000 will receive 50 percent more.[4]

It doesn't end there. Under recent liberalizations of the relatively unknown Employer-provided Child or Dependent Care Services Tax Credit, taxpayers are allowed to establish $5,000 tax shelters for child care expenses, in addition to the basic credit. Higher income families--the ones with enough expenses to claim and enough income to shelter--get what amounts to a second credit worth as much as $2,000.

The cost of this additional credit? Thirty million dollars in fiscal 1987,[5] estimated to rise to $150 million in 1989, and to $1 billion by 1993.[6]

Moreover, there is widespread cheating under the credit. Special IRS audits reveal that two out of five taxpayers inflate their child care expenses by a cumulative total of 28 percent, about the same rate of overclaiming as for travel and entertainment expenses.[7] Approximately $4.5 billion in such phantom child care expenses are claimed, for an annual revenue loss to the Treasury of about $1.3 billion.[8]

Fix the Credit?

Over the years, Congress has tried to make the credit less regressive. In 1976, it was changed to a credit from a deduction, in an attempt to make it as valuable to lower-income families as it is to higher-income ones. Then, in 1982, the credit was changed from a flat 20 percent of expenditures for all families to one in which taxpayers with lower incomes receive a higher credit than those with higher incomes--30 percent for incomes under $10,000, and 20 percent for incomes above $28,000, with a sliding scale in between. Eligible expenses are limited to $2,400 for one dependent and $4,800 for two or more dependents.

Unfortunately, such provisions are insufficient to counter the realities of child care economics. First, to benefit from a tax credit, you need to owe taxes. Lower-income families, by definition, often do not. That's why many observers have suggested making the credit refundable, as Vice President Bush's child care proposal would do.

Second, families that can claim the credit, that is, families with a mother who works, tend to earn more than those with one who does not. Two-earner families, for example, had a median income of $40,422 in 1987, 52 percent higher than the median income of "traditional," two-parent/one-earner families, $26,652.[9]

Third, upper-income mothers are more likely to use day care centers, which are more expensive than family-based care, and thus allow more expenses to be claimed. College-educated (and thus wealthier) mothers are twice as likely to use day care centers and preschools as are mothers without a high school education.[10] Conversely, about 60 percent of the families with incomes under $15,000 use unpaid relatives for child care.[11]

Finally, the credit is available until a child reaches age 15. By then, most low-income families are relying on friends, relatives, or free community services, or the children are home on their own. Middle- and upper-income families, though, continue to use the credit--to help pay for day camp in the summer and for such after-school activities as dance class and gymnastics. Because there are so many families with older children and because so many mothers work only part-time, the average size of the credit is low. Even families with incomes above $40,000 only claim about $400.[12]

Cap the Credit

Although upper-income families spend more money on child care, lower-income families spend a higher percentage of their incomes on child care for younger children. Families earning under $20,000, for example, spend about 8 percent of their income on child care, while families earning over $50,000 spend less than 3 percent.[13] This is a 267 percent difference, ten times greater than the 25 percent higher allowance the credit now grants to lower-income families. And yet, it is these latter families that should benefit from the child care credit. As Senator Christopher Dodd said at a

Business Roundtable meeting, "I'm not worried about the relatively affluent family making over $45,000 a year."

Government policy can and should do much more to support all working mothers (and their children). But it is ludicrous to think that a $400 credit affects the child care decisions of upper-income families.

The credit should be capped so that upper-income families do not get an unfair tax break. Actually, it should be re-capped. In 1954, when the credit was first established as a deduction, it was capped at $21,556 (in 1987 dollars). In 1971, the cap was raised to $50,000, with a phase out for higher incomes, and, in 1975, to $73,908 (again in 1987 dollars). Only in 1976, when it was made a credit, was the cap totally removed.[14]

Perhaps it made sense to remove the cap when marginal tax rates were high. Now that upper-income families have been granted dramatic tax relief, there is little reason to continue this tax break.

This is not just an abstract issue of social justice. Although the average benefit for families with incomes above $40,000 is a relatively modest $400, there are nearly two million of them. The cost adds up. Capping the credit at between $45,000 and $55,000 would generate about $1 billion that could be directed to families who really need help in paying for child care.[15]

Theoretically, the credit could be made more equitable by raising the percentage of child care expenses that is reimbursable from 30 percent to, say, 60 percent. But, because more money would be at stake, this would only encourage more cheating, which is now concentrated among families earning $25,000 to $50,000.[16] Raising the amount reimburseable would also aggravate the tax code's bias against stay-at-home mothers who sacrifice their own careers to care for their children or, as is often the case, for an elderly or sick relative.

Revitalize Head Start

Others might use the savings from a cap to start up a new federal child care program with greater appeal to the middle class. That would be a mistake. It would be more efficient--and it would be better social policy--to use the funds to revitalize and expand Head Start, a program that combines elements of child development and child care for families of greatest need. For example, about $1 billion could guarantee one year of Head Start for every eligible child.[17]

Such an expansion of Head Start could do more for poor and low-income families than any federal child care bill now on the horizon. Capping the credit, though, might face fierce opposition. Over a million upper-income families would lose a tax break. And women's groups strongly support the credit. In June, they pressured the Senate to reject a cap of between $70,000 and $97,500, which would have generated $200 million to help pay for welfare reform.

But as we have seen, for upper-income families, the credit's importance is mainly symbolic. Symbols can be important. In a time of scarce government resources, though, help should be focused on families that need dollars, not symbols. The credit should be a symbol of our support for working mothers who need financial assistance, not of our inability to achieve a progressive tax code.

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[1] U.S. House of Representatives, Committee on Ways and Means, Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1988 Edition, (March 24, 1988), p. 615, table 12.

[2] Derived from Statistics of Income Division, Internal Revenue Service, Individual Income Statistics (April 1988), p. 81, table 3.3.

[3] Robins, Philip K., "Federal Support for Child Care: Current Policies and A New Proposed System," Focus (Summer 1988), p. 6.

[4] See Barnes, Roberta, "The Distributional Effects of Alternative Child Care Proposals," (Testimony before the Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, U.S. House of Representatives, June 9, 1988), p. 3. According to the study, about 3 percent of the credit's benefits in 1988 will go to families in the bottom 30 percent of the income distribution while almost half will go to families in the top 30 percent. The top 10 percent of families will receive 14 percent of benefits.

[5] Executive Office of the President, Office of Management and Budget, Special Analyses. Budget of the United States Government. Fiscal Year 1989, p. G-43. Other estimates are much higher. For instance, for fiscal 1986, the Joint Committee on Taxation estimated a revenue loss of $110 million (Stephan, S. and Schillmoeller, S., "Child Day Care: Selected Federal Programs," (April 7, 1987), Library of Congress, Congressional Research Service, p. CRS-13. However, for the same year, OMB placed it at $40 million (Special Analyses. Budget of the United States Government. Fiscal Year 1988 (1987), p. G-44).

[6] Ibid.

[7] Steuerle, C. Eugene, Who Should Pay for Collecting Taxes? (American Enterprise Institute, 1986) p. 42, table 4-1.

[8] In 1985, the latest year for which figures are available, taxpayers received about $3.1 billion in credits. [Individual Income Statistics, p. 81, table 3.3.] Assuming an average credit of 20 percent of child care expenditures, which is the minimum available (the average is probably somewhat higher), taxpayers claimed that they spent about $16 billion on child care expenses. A 28 percent rate overclaiming on this amount would come to $4.5 billion (28 percent of total expenses claimed). Again, assuming an average credit of 20 percent, the revenue loss would be approximately $900 million. These are 1985 numbers; with the use of the credit having increased an estimated 46 percent since 1985 [derived from Special Analyses. Budget of the United States Government. Fiscal Year 1989, p. G-43.], we project revenue losses due to cheating at $1.3 billion in 1989.

[9] Bureau of the Census, U.S. Department of Commerce, Money Income and Poverty Status in the United States: 1987 (Current Population Reports, Series P-60, No. 161, August 1988), p. 12, table 1.

[10] Bureau of the Census, U.S. Department of Commerce, Who's Minding the Kids? Child Care Arrangements: Winter 1984-1985 (Current Population Reports, Series P-70, No, 9, May 1987), p. 17, table 4, part B.

[11] Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1988 Edition, p. 586.

[12] Derived from Individual Income Statistics, p. 81, table 3.3.

[13] Brush, Lorelei R., "Usage of Different Kinds of Child Care: An Analysis of the SIPP Data Base" (Unpublished paper prepared for William Prosser, Social Services Policy Division, Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October 14, 1987), p. 42. According to the study, families with incomes over $70,000 spend only 11 percent more on child care than do families with incomes under $10,000.

[14] Unadjusted figure for 1954 is $5,100; for 1971, $18,000; and for 1975, $35,000. For complete legislative history, see Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1988 Edition, p. 613.

[15] In 1985, taxpayers with incomes above $40,000 took an estimated $750 million in child care credits. [derived from Individual Income Statistics, p. 81, table 3.3.] Assuming 46 percent growth at these income levels, a rate equal to the overall growth of credit use [derived from Special Analyses. Budget of the United States Government. Fiscal Year 1989 (1988), p. G-43.], revenue losses would exceed $1 billion in

1989.

[16] Estimate based on Taxpayer Compliance Measurement Program data, provided by the Office of the Assistant Commissioner (Planning, Finance and Research), Internal Revenue Service.

[17] Personal communication from Clennie Murphy, Associate Deputy Director, Head Start, U.S. Department of Health and Human Services (June 10, 1988).

Senate Finance Committee
Hearing on Federal Role in Child Care
Testimony by
SENATOR RUDY BOSCHWITZ
September 22, 1988

I want to thank the distinguished Chairman, Mr. Bentsen, for convening this child-care hearing of the Finance Committee.

As a member of the Senate Agriculture Committee, I have been involved with child-care since I joined the Senate in 1979. As a member of this Committee, I have worked closely with the Child Care Food Program -- the largest child-care program currently operated by the Federal government. Providers in Minnesota point to that program as the greatest incentive to become licensed. I am happy to say that earlier this week, President Reagan signed the Hunger Prevention Act of 1988, which included provisions to further enhance the Child Care Food Program. I fought hard to include those provisions.

I have also held several hearings throughout my state this year on the subject of child-care, and I am proud to say that my proposed Child Care and Nutrition Enhancement Act of 1988 has been endorsed by the Minnesota Licensed Family Child Care Association.

My research into the child-care issue has led me to the conclusion that tax credits are the best way to increase the affordability and availability of child-care. There is an old saying that "if you want less of something, you tax it; if you want more of something, you provide tax credits." That rule applies to child-care.

I believe that refundable tax credits for low-income families are an excellent way to target financial assistance to those in need. It supplies funds without setting up a new bureaucracy to administer it, and it allows the family freedom to choose among family child-care providers and centers. In addition, the tax credit avoids any church-state conflict without eliminating assistance to low-income families. My bill would make the current Dependent Care Tax Credit refundable to low-income families, who often now are unable to take advantage of the Dependent Care credit. Also, in order to minimize the cost to the federal government, I cap the Dependent Care credit for families with one child at $45,000 adjusted gross income, and at $55,000 for families with 2 or more children.

Tax credits can also be used as incentives for individuals and businesses to provide child-care. My bill provides a 20-percent tax credit with a $1,000 cap to individuals who need to modify their home in order to become a licensed or registered provider.

The same provision applies to those who are already licensed or registered but need to rehabilitate or expand their home to remain licensed. As you can imagine, child-care can be tough on a house.

In my bill, businesses can qualify for a 25-percent tax credit with a $100,000 cap to construct an on- or off-site child-care facility. Businesses are becoming more aware of the benefits of providing child-care assistance for their employees, and some added incentives will help speed up the process.

Tax credits are available when needed, and they don't get caught up in annual Congressional logjams. They are the most dependable and efficient way to provide assistance. In my book, Mr. Chairman, tax credits meet all the important criteria. They help increase the affordability and availability of child-care, they can be efficiently targeted, and they don't require a huge bureaucracy to implement them.

I know that several of my colleagues share my thinking in this area and have also introduced child-care legislation that utilizes tax credits. I look forward to working with them in developing comprehensive child-care legislation that benefits children without creating a new federal bureaucracy.

Testimony on the Federal Government's Role in Child Care

by
Jack Brozman
President, La Petite Academy

September 22, 1988

Mr. Chairman and Members of the Committee:

My name is Jack Brozman. I am President of La Petite Academy, one of the largest private sector child care providers in the nation. My family has been in the child care business for over 18 years. Today we operate over 650 child care centers in 28 states. Our 10,000 teachers, directors and staff care for over 70,000 children ranging in age from a few months to 12 years.

I would like to thank you for allowing me to testify today. I am delighted to have this opportunity to present to you our ideas on the most effective role for the federal government in the provision of child care.

The current child care debate is focused on three factors: availability, affordability, and quality. My remarks this afternoon will be devoted primarily to the federal government's role in addressing the issue of affordability. I would like to stress, however, that these factors are all interdependent. It doesn't help the single mother in Russell, Kansas when quality child care is available, but she can't afford it. Nor does it help the two-income family in Newburg, Missouri to have access to affordable child care, if it is not quality care. Similarly, the New York City couple is not helped by the affordability of quality care that in fact is not available.

There are two principal theories on the appropriate role of the federal government in providing affordable child care.

One theory would give taxpayers' money to federal and state bureaucrats with the assumption that they are in the best position to determine child care needs. This theory is exemplified by the proposed Act for Better Child Care -- the so-called ABC bill. This legislation would create not one, but two new bureaucracies, one at the federal level and one at the state level. At the federal level, the bill would establish an "Administrator of Child Care" who would publish state standards, issue federal regulations, monitor state compliance and approve lengthy and complicated state plans. This bill also calls for a 15 member National Advisory Committee on Child Care Standards.

At the state level, the bill would require each State to draft a state child-care plan, develop day-care advisory committees, and hold annual child care hearings in every region of the State. The State would then determine what type of child care to provide, which families would receive it and where it would be provided.

The other theory on the federal government's role in providing child care is based on the assumption that parents are in the best position to choose what's best for their children. This theory, as reflected in several alternative bills, is based on the belief that the most efficient way to ensure parental choice is by giving assistance directly to the parents. It is argued that this can be accomplished most effectively by use of the federal tax code.

We agree.

Utilizing the tax code offers three principal advantages as a means of federal support for child care costs. First, it ensures that parents, not bureaucrats, choose what child care services their children use. The needs of parents are extremely diverse and the present child care market reflects this enormous diversity. By providing child care assistance directly to the parents, they are in a better position to choose the arrangement that best suits their needs.

Second, the program wastes virtually no money on administrative costs, whereas under the ABC bill, a full 25 percent would go to such things as administrative costs and establishing a child care infrastructure.

Third, the assistance can be targeted to those who need it the most. Whereas, under the ABC bill, in addition to the fact that there would be a smaller percentage of funds reaching the needy families, the structure is too cumbersome to effectively target the needy.

Mr. Chairman, I would encourage the Committee to review several provisions of the tax code, which would provide alternative ways for the federal government to further participate in providing assistance to families in need of child care. I know that several members of the Committee have done just that.

One way to put more federal money in the hands of the low-income families in need of child care is to amend the dependent care tax credit, presently available to taxpayers at all income levels. We suggest three possible amendments. First, limit the tax credit to low income families. The additional monies could then be used to give a higher percentage credit to lower income families. In addition, the credit could be made refundable so that a low-income family that has no tax liability could receive additional funds to help pay for the urgently needed child care. By eliminating the administrative expense in delivering that support, additional child care funds could be delivered directly to low-income families without the need for expensive and cumbersome administrative procedures and bureaucracy.

A second way the tax system can help to provide affordable child care is through the increased use of flexible spending accounts ("FSA"). This committee could explore ways to encourage businesses to make FSAs available to their employees.

As a third way, we believe the committee should explore providing further tax incentives to businesses participating in employer-provided child care. La Petite's on site child care centers have been extremely well received by corporations and the families who use the facilities. By providing this service, corporations benefit by less absenteeism and turnover, higher productivity and better morale. Parents benefit by the convenience of having the child near, the ability to respond quickly in case of emergency and the option to visit their children during the day.

Although some businesses have recognized the benefits of providing on site care, additional tax incentives are needed to encourage wider use of employer-provided care.

Conclusion

La Petite is committed to providing the highest quality day care. We believe, however, that affordability is a key issue and can not be sacrificed. We recognize that the federal government plays a role in providing child care. The federal role proposed by the ABC and similar bills, however, would foster devastating effects on the child care system in America and ultimately on our children.

Most importantly, parents have proven they are wise consumers in the child care marketplace and consider many factors in their choice of a desirable and affordable child care arrangement. To usurp this important right and responsibility of parental choice and place it in the hands of the state would be a catastrophe.

Moreover, because the tax code alternative would operate within the existing tax system, virtually every dollar would go directly to advancing our children's child care. On the other hand, if the money were to be distributed through the states, an enormous amount of the money would be lost to administration, implementation, enforcement and other bureaucratic expenses.

Finally, with limited federal resources, it is important to be able to target those families who are most in need of the federal resources. Amending the tax code as I discussed earlier is the simplest, most direct and efficient means to this end. There is simply no way that the ABC bill, with its complicated regulations and enormous administrative structure can measure up.

La Petite would be pleased to work with the Committee in helping to design a truly effective role for the federal government in child care.

Thank you very much. I would be glad to answer any questions you might have.

STATEMENT BY
SENATOR JOHN H. CHAFEE
IN THE FINANCE COMMITTEE
ON THE FEDERAL ROLE IN CHILD CARE

September 22, 1988

Mr. Chairman, I am delighted to be hore today to discuss the appropriate role of the Federal Government in the provision of safe, affordable child care in our country.

That there is a child care problem in this country few would argue. For years, as the demand for child care has risen, the implications of poor, spotty child care has grown. The question is no longer if the federal government should act, but HOW. This is the question we explore in this hearing.

The options for federal action are varied and many. Tax credits and deductions, block grants and liability pools, the list is long and complicated. I believe the most appropriate solution is the one that most directly addresses the problems that surround child care in America today: availability, affordability and quality.

In America, day care is hard to find, difficult to afford, and often poor in quality.

What happens when an infant or child needs day care and there is none available? In some instances, parents leave their children in situations that they realize are far less than satisfactory -- alone or with other children far too young to be responsible.

Finding child care is just a third of the battle. Another problem is paying for it. The typical cost of full-time child care is about $3,000 a year for one child in family day care, and about $4,500 per year for one child in an infant care facility. I don't need to tell you that for a family with several children, the cost of child care is just unmanageable.

Even if parents are lucky enough to find child care and can afford it, there still is one more problem: how can they be sure it's good child care? The answer is, they can't. On the average, child care providers earn less than bartenders and parking lot attendants. That means we pay people more to watch our cars than to watch our children. It also means that there is a high labor turnover in the child care field.

I am no stranger to this subject. I have worked with others in this committee for years to keep Title XX, currently the largest federal program for child care, well funded. In my view, there is only one proposal before the Senate currently that I believe takes the first step in addressing all three of the problems in child care today. I am referring to the ABC bill, the Act for Better Child Care, which Senator Dodd and I introduced almost a year ago.

This is a $2.5 billion dollar bill that will lay the groundwork, build the infrastructure, for a child care system in our nation. First, 75% of its funds will provide direct subsidies for child care for those families that need it most. The individual states may decide whether these subsidies are provided through vouchers given directly to the parents, or through child care slots, contracted for by the state's child care agency. The remaining 25% of the funds will be used to both increase the availability of child care, and the quality and safety of all care. It will provide funds to encourage states and private business to broaden the number and variety of child care services -- including emphasis on the now scarce infant care. In addition it will provide funding for training and establish minimum health and safety standards.

Last March I joined Senator Dodd in presiding over a hearing in the Senate Subcommittee on Children and Families on the ABC bill. At that time we heard a wide range of perspectives from policy makers, parents, business people, and child development experts. They agreed on one factor that we all must be acutely aware of -- that child care is not longer just a personal problem. It is now a public, economic, and national dilemma that needs to be addressed in every sector of our society: families, local communities, businesses, states and the federal government. This is why the ABC bill is so important. It can provide the delivery system by which all of these groups can participate in ensuring the safety, health, and development of our children -- and the productivity and future competitiveness of our country.

Now, what do I mean by delivery system? Our nation has a piece-work plan for child care at best. Even if we give people money to pay for child care, they may not be able to find any. And if they do find child care, who is to say that it will be safe child care?

A delivery system means that where there is need, there is safe, affordable child care. There are trained, professional, experienced child care providers. That there is a resource referral system, options for parents who don't just work nine to five, that there is proper care for infants available, for sick children, for special needs children. We can't begin to solve the child care crisis until we invest some money and sound federal policy in an infrastructure that can support the burden of caring for our next generation of adults.

Tax deductions and credits for parents with child care expenses can help to supplement the efforts we are making in the ABC legislation. But tax subsidies alone will do nothing to improve the quality of child care.

One of the reasons I feel so strongly about the ABC bill is that it sets some minimal and basic health and safety standards for the care of the children in our country.

These are not burdensome, intrusive, picayune regulations for child care, these are imperative, common sense, minimum standards that I believe all parents would expect from a child care center. Let me be specific and show you what I mean. The ABC bill requires that a National Advisory Committee set standards for three elements of care only:

Child/staff ratios, meaning how many children can one adult watch;

Staff training in basic health and safety, meaning basic hygiene and health training such as the necessity of washing ones hands after diapering and before food preparation; and

Unlimited parental access to children.

Now I have five children, and one grandchild. I would be uncomfortable if my grandson was being cared for with eight other babies, by an untrained individual without supervision. I'd naturally assume that should I want to see my grandson or child that this would be allowed. We set minimum standards on toys for our children, on their pajamas, on their food-- why not child care?

I would suspect that years from now we will think back on all of this controversy and wonder to ourselves, what was all the fuss about?

Thank you, Mr. Chairman.

Statement by Senator Dave Durenberger
Finance Committee Hearing on Child Care
September 22, 1988

I would like to thank the Chairman, Senator Bentsen, for calling this hearing and for bringing such a distinguished panel of witnesses before us today to give testimony on the very important issue of the care for our nation's children.

Today's American family is no longer typified by the Andersons or the Cleavers. 57% of women today with children who are preschool age are in the workforce. 61% of all children will live in a single-parent household before reaching age 18. And one in five children are growing up in poverty.

As a nation, we cannot afford to have our children growing up with inadequate protection. Poor or mediocre child care affects every aspect of our nation's welfare from the nation's fundamental family values to the future competitiveness of this country.

I believe everyone here agrees that something needs to be done to address the family needs of our society and to recognize the problems so many parents face when attempting to provide for their children.

It is my feeling that families should play the primary role in raising their children and that government should not get involved in this process unless something prevents children from receiving the care they need. We do not need a National Nanny. But we do need policies that increase child care options for parents and ensure an adequate level of quality, affordable child care so that children are not left unsupervised or placed in inadequate facilities.

I believe any child care legislation that passes this Congress must increase choices and opportunities for all parents. As many of you know, I have introduced my own child care bill that increases parent's choices by increasing quality, availability, and affordability, while at the same time provides equity for families where one parent stays home.

Some will claim that this is not an issue of interest to business. I believe this is an issue that business has a vital interest in and one that, if business and government work together, will benefit this whole nation. As this country confronts an increasing shortage of labor, it will become more and more important that workers have the skills, the technical knowledge, and qualifications to hold jobs. Quality child care and early childhood development are essential to ensuring that tomorrow's workforce is capable of competing in the international marketplace.

According to the Department of Labor, by the year 2000, 64% of all new entrants to the workforce will be women. Currently, 70% of working women are in the childbearing years. Of these women, 80% will choose to have children. Business simply cannot afford to ignore the needs of a majority of their workforce.

In March of this year, I sponsored a symposium on Child Care that was hosted by the Foundation for Future Choices. This symposium was the first of its kind to bring policy leaders together with top corporate executives to discuss practical solutions to child care options in this country. The companies represented at this conference were some of the most responsible companies in the country on issues pertaining to family and children. These companies, however, continue to voice concern about the uncertainty of options available to them. They continue to confront the fact that every employee has different needs in child care and no one program will solve these needs.

My bill, Mr. President, will help coordinate the efforts of business and government in meeting the diverse needs of today's families by increasing options available to the employee and the employer. In addition to encouraging innovation and expansion in the child care industry through tax-exempt savings bonds, my bill gives a tax credit to encourage the employer to provide on-site child care services. Minnesota has only four on-site corporate child care centers.

This bill will also provide a Coalition Demonstration Grant Program to encourage non-profit entities and small businesses, who would otherwise not be able to provide child care services, to collaborate and form a single child care facility. More and more, small entities are working together to solve their child care needs. One such example is where several airline-related unions came together to establish a child care facility at the airport where they worked. We should encourage, not stifle, such innovation.

The Family and Community-Centered Child Care Options Act will also address early childhood development needs by providing funding for before and after school child care programs utilizing the existing school structure. The child care setting can be enhanced through the use of playgrounds, cafeterias, and health facilities already in place within the schools. This legislation will also establish an awards program that will recognize business and child care providers for their excellence and their contributions in the area of child care.

Child care centers in Minnesota report increases of 300% in liability insurance over the past couple of years. This legislation will also address the problems faced by many in Minnesota and around the country by decreasing the liability barriers that prevent people from giving care, and establishing liability insurance risk pools.

A majority of child care in this country is currently being provided by family day care or relatives. This legislation will help family day care providers through tax incentives as well as helping give them the tools and incentives they need to become a licensed facility. I have heard from family day care providers in Minnesota who have been denied the second home mortgages because they provide day care in their home. This legislation would change Federal Home Mortgage Association restrictions to allow a homeowner who is providing day care in their home to remain eligible for a mortgage.

Individual needs and demands for child care are diverse and complex. There is no simple answer to the child care problem facing this country. Too often the federal government looks at the problem in the aggregate because it is easier to believe that sweeping solutions and more dollars will solve the problem. Yet I believe, that if we are really going to make a difference in the lives of children and their families, federal policy must respond in a comprehensive yet flexible manner.

That is why I am pleased to have the opportunity today to hear from this distinguished panel on this bill as well as the many other important proposals before this committee. I look forward to hearing their testimony.

THE ROLE OF THE FEDERAL GOVERNMENT ON CHILD CARE

by

Marian Wright Edelman
President, Children's Defense Fund

September 22, 1988

The Children's Defense Fund is a privately funded public charity dedicated to providing a strong and effective voice for children, especially poor and minority children, and their families. We are gravely concerned about the safety of children whose mothers are working outside the home and do not believe our nation can wait another moment to put in place a child care system that protects our children.

A strong and comprehensive bill to do just that -- the ABC bill -- is now final awaiting action in both houses. ABC is supported by a majority of voters in every region of the country; co-sponsored by ten members of this committee and 31 of your Senate colleagues; endorsed by national, state and local elected officials and organizations representing millions of Americans; and desperately needed by our children. I urge you to enact ABC before you go home next month.

As a nation, we have failed to respond to the dramatic increase of mothers in the workforce, and our children are paying the price. In today's economy, very few parents have a meaningful choice between work and staying at home. In fact, most parents work out of economic necessity, and the lack of safe and affordable child care forces far too many working parents - especially low and moderate income parents, single parents, black and minority parents - to leave their children home alone or in inadequate and sometimes dangerous child care situations.

The entire nation wept with relief when little Jessica McClure was saved from her fall into an uncapped well last

October while in an unregulated family day care home. Of course, this was a horrible accident. However, can't this richest nation on earth expect its child care programs to be minimally safe and secure from uncapped wells into which any toddler might fall?

We are all shocked by the growing list of tragedies that are occurring as a result of our fragile child care system. The safety of our children is the first and overriding reason that this Congress must address our child care crisis this year, this month. Now that a consensus has been reached among our political leaders that federal action on child care is essential, it's time to move beyond the political speeches and photo opportunities to assure America's parents that they can find -- and afford -- decent and safe care for their children while they are at work.

ABC ADDRESSES NATION'S CHILD CARE CRISIS

While hundreds of child care bills have been introduced this session of Congress, ABC is the only bill that assures low and moderate income working parents safe and affordable child care. It is the only child care bill that has successfully moved through an exhaustive legislative process and is now ready for final consideration. It is important for you to know that ABC wasn't thrown together in the heat of the political moment. Instead, it is a thoughtful and rational bill put together after lengthy and thorough discussions and consultations among policymakers, child care providers, child development experts, educators and parents across the country. It was introduced last November by Senators Dodd and Chafee; it was reported out of the Labor and Human Resources Committee -- unanimously -- in July after extensive review and analysis; public clamour to enact ABC grows daily; and I believe it is deserving of your active support.

First and foremost, ABC is designed to improve the safety and quality of child care throughout the country, and to help low and moderate income working parents pay for such care. ABC expands and enhances parental choice by increasing the range of good child care options affordable to working parents and their children.

Safe Care Essential for our Children

The Children's Defense Fund and the American Federation of State, County and Municipal Employees recently delivered to each of you a toy car. We did this to dramatize the fact that for years the federal government has acted to make sure that toys are safe for children and to urge you to pass ABC now so that the child care programs that use these toys -- the places where our children play, learn and grow -- will be safe, as well.

Safety standards for children's toys is an accepted federal concern, as is making sure that the clothes children wear won't catch fire. The federal government acts in numerous ways to protect us. It attempts to make sure that our automobiles and our airplanes are safe, our food is not contaminated, and our bank deposits are protected.

It is simply essential that our children are also protected and that the child care homes and programs where our children spend so much of their time be safe and healthy, as well. Child development experts emphasize the link between good care and positive lifelong development. In considering these protections, however, we must ask what we would want for our own children. Most of us would want to take care of our children ourselves, or have a grandmother or relative take care of them if we had to work, but for millions of working parents this is just not an option. So when we take our children to a family day care home or a child care center, at a minimum, we would want to know that the facility was clean and safe. We would want our children in the care of an adult not overburdened or distracted by caring for too many other children at the same time. We would want that adult to be responsible and prepared through experience or training in the care of our children. We would want to feel free to drop by to see our children during the day, to find out how they are doing. These are basic protections for our children that I believe all of us would want.

ABC attempts to protect the health and safety of children in care in an eminently reasonable and responsible manner. The bill requires the federal government to set minimum and sensible standards for the health, quality and safety of publicly funded child care. The standards are to be developed by a National Advisory Commission on Child Care Standards appointed by Congress and the President.

ABC requires that the National Commission develop standards based on current state practices, reflecting not models or optimums, but the median standards that currently exist in all the States. Further, ABC limits the standards to the following areas only:

- basic health and safety requirements
- qualifications and background of personnel
- group size and adult supervision appropriate to the age of children; and
- parental involvement.

ABC also establishes reasonable compliance efforts allowing states and providers five years to meet the standards and assisting them in these efforts through grants and loans to improve facilities.

ABC's approach to protect children in care is not a novel one. The Department of Defense, recognizing that all children in child care must be safe regardless of the state in which their parents are stationed, has established national standards for all DOD funded and operated centers and family day care homes. ABC takes the same approach as DOD to protect America's children while their parents are at work.

All parents civilian and military want good, safe care for their children, and American voters, especially women, strongly support ABC's basic health and safety protections. According to a recent poll conducted by Marttila and Kiley, Inc., 83 percent of working mothers -- compared to 75 percent of all voters -- said they believe the federal government should establish minimal health and safety standards to protect all children in care --

regardless of where they live. Similarly, employers recognize the importance of minimum protections. The American Express Company testified in support of federal standards, stressing that unless there is greater consistency in child care standards nationwide, workforce mobility and structural changes would be inhibited.

Some have opposed ABC's standards because they may increase the cost of care. We understand that standards may indeed have a slight impact on cost in some areas, yet we urge you to measure that small cost against the cost of young lives lost, young bodies abused in unsafe care. We also urge you to consider the savings that good quality early childhood development programs have been shown to earn as they better prepare children for school, work and adult life.

The safety of our children must be of primary concern as we address our child care crisis. ABC has gained widespread support because it addresses the safety and quality of care and no federal child care policy should be approved without this essential component.

Working Parents Need Help to Meet Child Care Expenses.

ABC helps low and moderate income working parents pay for child care, greatly expanding the range of safe options available to them. Currently, few working parents can afford to pay child care costs that now average $3,000 a year or more in many communities. In addition, a decreasing number of families can rely on grandmothers, aunts and other informal, low-cost arrangements. ABC recognizes that unless working parents can afford to pay for decent child care, the choices available to them are severely limited, and often painful.

Few would dispute that the low income working parents in a community outside of Chicago had meaningful child care choices when they placed their children in a program charging $25 per week instead of other programs in their community charging on the average $75 per week. And few, if any, would find the program safe or healthy when 47 children -- half of them under age of two -- were being cared for by a single adult in a basement.

For low income parents, the inability to afford child care is, as you know, a primary barrier to workforce participation, and welfare reform policies will not be successful without adequate child care assistance for those making the transition from welfare to work. It is also critical to understand that the inability of low income working parents to afford good care has created a two-tier child care system. More and more parents are seeking high quality center based care providing an early childhood development experience for their preschool children. However, this choice is often not available for the children of poor parents. In 1985, 67 percent of four-year-olds and 54 percent of three-year-olds whose families had annual incomes of $35,000 or more attended these programs. However, children from lower income families were less than half as likely to have this opportunity; fewer than 33 percent of four-year-olds and 17 percent of three-year-olds in families with annual incomes of $10,000 or less were enrolled in preschool programs.

ABC provides assistance to low and moderate income working families so that they can afford care for their children while they are at work, in school or training. ABC requires that priority for assistance be given to the lowest income families, and that these families be provided the full cost of care in their community. Assistance to moderate income families would be provided on a sliding fee scale based on income and family size.

The financial assistance that ABC provides to low and moderate income parents greatly expands their ability to select safe child care arrangements appropriate for their own children and family. Despite the claim of some critics, ABC doesn't require parents to choose institutional or government run child care, rather it opens up to them the full range of options affordable to other families - family day care homes, group day care homes and child care centers operated by parents, churches, schools, employers and other nonprofit and for profit organizations. States may choose to contract directly with these providers for services or to provide parents with certificates for service.

As an aside, ABC does not require that grandmothers be licensed, nor does it interfere in any way with the informal arrangements that some families may now have with their grandmothers. Of course, if a grandmother wants to receive federal funds, she will have to abide by state licensing requirements and, within 5 years, comply with minimal federal protections. Neither does ABC create a large federal bureaucracy. The federal role in ABC is intentionally minimal, it is the states that will plan, administer, fund, license and monitor child care under ABC. Building upon existing state, community and employer child care efforts, ABC also takes additional steps to improve the availability and quality of child care.

TAX CREDITS FAIL TO ADDRESS CHILD CARE CRISIS

Numerous tax credit proposals have been advanced in response to our growing child care crisis. While we believe that several of these proposals can be valuable complements to ABC's comprehensive approach, they do not -- standing alone -- address the need to make child care safe for America's children or affordable for their working parents.

Tax credit proposals do not provide parents with assurances that their children will be safe and protected while they are away at work. While many child care programs protect the safety and well-being of children in care, we know too many others do not. Parents in seven states, for example, are not assured that child care programs will not spread disease because caregivers are not required to wash their hands after diapering and feeding children. Parents in several other states are not assured that family day care homes serve only a reasonably small number of children. In one state, a single provider may care for as many as 18 children. Imagine feeding, diapering, playing with, and caring for 18 children at the same time, much less evacuating all of them to safety in an emergency.

We are pleased, nevertheless, that Senator Heinz and Senator Packwood have each introduced legislation to expand and make refundable the Dependent Care Tax Credit. These proposals, as well as the new tax credit proposed by Vice-President Bush, are important steps to assist families with children. Yet we do not believe that these proposals -- or others -- significantly increase or enhance parental choice because they do not provide sufficient assistance to allow low and moderate income parents to afford to choose the child care arrangements most appropriate for their children or their family. Our lowest income families require greater assistance, and they require it up front, in order to afford safe and reliable child care. Providing even $1,000 a year -- or $20 a week -- would allow a low income working parent few choices among child care arrangements that cost three or four times that amount. We cannot imagine how Senator Wallop's proposal to provide no more than $400 per year for each young child would allow a single mother earning $12,000 or even $18,000 a year, for example, the choice to forego work and stay at home with her child, or the ability to choose among child care arrangements for infants and toddlers that usually cost $400 in a single month.

Most low and moderate income working families need some help to meet their child care expenses, yet many tax credit proposals limit assistance to a small group of families - often those without child care expenses at all. The Wallop proposal primarily directs its tax cuts to families with stay-at-home spouses - families more likely to be two parent and upper income -- while at the same time actually increasing federal taxes on most moderate income families with child care expenses. The new Bush tax credit would be limited to the lowest income families with children under 4 years of age.

As you consider the child care needs of our children and our parents, we urge you to approach tax credits as a complement to ABC's comprehensive approach.

CONCLUSION

We are extremely pleased that this Committee and its Members recognize the growing need to address our nation's child care crisis. The Committee on Labor and Human Resources has held extensive hearings on this issue and carefully reviewed child care needs and the most appropriate federal response to those needs. On July 27, 1988, the Labor Committee by a unanimous voice vote reported the Act for Better Child Care to the full Senate for its consideration.

We urge you and your colleagues to schedule ABC for immediate floor consideration and cast your vote for its enactment this year. Your action will help ensure the safety of our children, the integrity of our families and the productivity of our workforce.

STATEMENT OF SENATOR JOHN HEINZ
COMMITTEE ON FINANCE
SEPTEMBER 22, 1988

MR. CHAIRMAN, WE ARE A NATION REVOLUTIONALIZED BY THE EMERGENCE OF THE WORKING WOMAN AND THE TWO-WORKER FAMILY. WHAT ONCE WAS A GIVEN -- THE FAMILY AS CHILD CAREGIVER -- NOW IS AN EXCEPTION. WHAT ONCE WAS A TOPIC FOR FAMILY DINNER CONVERSATION -- CHILD CARE -- IS NOW A CONCERN FOR THE CONGRESS. I AM PLEASED THAT THE FINANCE COMMITTEE WILL FORMALLY ENTER THE CHILD CARE DEBATE TODAY.

I HAVE INTRODUCED THE PARTNERSHIPS IN CHILD CARE ACT, S. 2741 TO ADDRESS THE MOST PRESSING QUESTIONS ASKED BY PARENTS SEEKING CHILD CARE; WHERE TO FIND IT; HOW TO AFFORD IT; AND HOW TO ASSURE IT WILL BE QUALITY CARE.

MR. CHAIRMAN, A SINGLE MOTHER FROM WEST CHESTER, PENNSYLVANIA RECENTLY WROTE THAT HER CHOICE WAS TO "STAY HOME WITH MY YOUNG CHILD AND GO ON WELFARE, OR WORK AND PAY FOR COSTLY DAY CARE. I WANT TO PAY MY OWN WAY IN LIFE AND SO I WORK, BUT WITH LITTLE MONEY LEFT OVER FOR FOOD."

THIS PENNSYLVANIA MOTHER IS NOT ALONE. THE REALITY OF THE 1980'S IS THE WORKING MOTHER; 6 IN 10 WOMEN WITH YOUNG CHILDREN WORK OUTSIDE THEIR HOMES TODAY, COMPARED TO 1 IN 10 IN 1950. MANY OF THESE WOMEN HEAD SINGLE-PARENT HOUSEHOLDS, WITH AVERAGE INCOMES OF $10,000.

STATISTICS VARY, BUT MANY AGREE THAT QUALITY CHILD CARE COSTS ON AVERAGE $3,000 PER YEAR. BECAUSE CHILD CARE IS EXPENSIVE, THE PARTNERSHIPS ACT WOULD INCREASE THE CHILD AND DEPENDENT CARE TAX CREDIT TO 40 PERCENT FOR LOW-INCOME

FAMILIES AND THE CREDIT WILL BE MADE REFUNDABLE. THIS PROVISION IS SIMILAR TO ONE THE COMMITTEE'S RANKING MEMBER, SENATOR PACKWOOD, HAS INTRODUCED AND I LOOK FORWARD TO WORKING WITH HIM ON MAKING CHILD CARE AFFORDABLE.

TITLE XX IS THE SINGLE GREATEST FEDERAL CHILD CARE SUBSIDY FOR LOW-INCOME FAMILIES. BUILDING ON THIS ESTABLISHED SUCCESS, $300 MILLION EACH YEAR IN NEW FUNDS WOULD BE TARGETED FOR CHILD CARE THROUGH THE SOCIAL SERVICES BLOCK GRANT. STATES WOULD HAVE THE FLEXIBILITY TO CREATE TRAINING PROGRAMS FOR DAY CARE WORKERS, INFORMATIONAL AND REFERRAL NETWORKS, PROMOTE PUBLIC/PRIVATE PARTNERSHIPS, AND ESTABLISH LOAN PROGRAMS TO HELP CHILD CARE PROVIDERS MEET STATE QUALITY STANDARDS.

THE FEDERAL GOVERNMENT CAN ALSO SERVE A CRUCIAL ROLE IN THE IMPROVEMENT OF CHILD CARE QUALITY FOR ALL. MODEL DAY CARE STANDARDS WOULD BE USED BY STATES WITH FEDERAL TECHNICAL ASSISTANCE TO UPDATE AND REFINE STATE QUALITY STANDARDS.

MR. CHAIRMAN, CHILD CARE WILL AFFECT THE LIVES OF AN INCREASING NUMBER OF AMERICA'S CHILDREN. THE TRADITIONAL "LEAVE IT TO BEAVER" HOUSEHOLD OF THE 1950S, WHERE DAD WORKS AND MOM STAYS AT HOME WITH THE KIDS, APPLIES TO 1 IN TEN FAMILIES TODAY. PARENTS WORK TO MAKE ENDS MEET AND WOMEN PROVIDE CRUCIAL INCOME SUPPORT FOR THEIR FAMILIES. THE QUESTION BEFORE CONGRESS IS NOT, SHOULD WE HELP PARENTS WITH CHILD CARE, BUT HOW?

THERE ARE MAJOR POLICY DIFFERENCES AMONG THE VARIOUS PROPOSALS NOW BEFORE THE SENATE. THE ACT FOR BETTER CHILD

CARE (ABC), PROPOSES A FEDERAL CHILD CARE SYSTEM AND WILL HELP ONE MILLION CHILDREN. A SOUND INVESTMENT IN CHILD CARE IS ONE THAT HELPS THE GREATEST NUMBER OF THOSE IN NEED IN A MEANINGFUL WAY. THE PARTNERSHIPS ACT PUTS CHOICES IN PARENTS HANDS AND WILL ASSIST MORE THAN 7 MILLION.

I LOOK FORWARD TO THE TESTIMONY OF TODAY'S WITNESSES AND WORKING WITH MY COLLEAGUES IN CRAFTING CHILD CARE LEGISLATION THAT RESPONDS TO THE CHANGING AMERICAN FAMILY.

THANK YOU, MR. PRESIDENT

BUILDING ON STATE AND LOCAL EXPERIENCE:

Proposals for Child Care Policy

Professor Alfred J. Kahn
Professor Sheila B. Kamerman
Cross-National Studies Program
Columbia University School of Social Work
New York, N.Y.

Mr. Chairman and Members of the Committee:

I am Alfred J. Kahn. Although I shall be testifying before you, my testimony grows out of a research program co-directed with my colleague, Sheila B. Kamerman and has been prepared by both of us.

For several decades it has become a matter of almost required ritual to begin a discussion of child care policy with a review of female labor force trends and a summary of data on single-parent families, followed by a statement of the case for increased provision of child care. With the permission of the Chair we will forgo that part of the discussion, although we are prepared for questions. We offer documentation in our recent book (Child Care: Facing the Hard Choices), in a number of articles, and in testimony presented at other hearings. We are appending an earlier statement.[1] By now the American people - including the presidential candidates of both political parties - have acknowledged the numbers and the need for some kind of societal and governmental response. The debate is about how to think about those numbers and what to do - in short, about the specifics of a response. That is where we have focused today's prepared remarks.

If we may be permitted an additional introductory comment, we feel it necessary to express some measure of disappointment that despite evidence of obvious need the Congress has kept child care on "hold" for almost a decade an a half. Further, extensive hearings, documentation, positive public response, and many compromises over the past year in connection with what has been called the "Act for Better Child Care Services" has yielded an apparent stalemate. Hardly a perfect bill or a child care program for all time, that legislation would move the country along a productive path. It would support essential state and federal activity on behalf of a pluralistic, flexible child care system. It would keep all major options open as between education and social welfare systems, between demand and supply subsidies, between governmental and private leadership. Indeed it would continue to build upon what the American people are already doing in their local communities and their states. It could offer an exemplar of Washington following the country, responding to the country, while not abandoning its responsibilities or ignoring the case for its help.

NOT A "SOMETIME THING"

In her recent report on the subject, the Secretary of Labor reminded the country of the growth in female labor force participation - indeed of the large-scale participation of mothers of infants and toddlers and its expected continuation. She also noted just how important this trend is for American competitiveness and productivity and of how much it is appreciated by some employers. She highlighted it as "a core rather than a peripheral" labor-management concern and remarked that constructive solutions benefit both management and labor. Nor should child care be viewed as largely "a social issue or a welfare matter." After all, "the greatest number of parents now likely to need child care are, in fact, working parents."[2]

Again, we note that there are different assessments of what government should do, but not about the need for action.

We come with a long-time background in child care policy research. One of us studied child care in one big city, as well as national policy, in the mid-1960s and reported on it. Together we covered child care in a national and eight-country social services study in the mid-1970s, again in a six-country child policy study in the early 1980s, as well as in a new national study recently published.[3] Our other ongoing work on income maintenance, parental and maternity benefits, employer responsiveness to the changing demography of the workplace, the situation of single parents, and child support allows us to place these issues in more complete context.[4]

From the point of view of policy, the central conclusion from all this is that child care should be regarded as neither a luxury nor a sometime thing for a few problem families. It is an essential, central, normal, basic component of community life in all modern societies. Child care remains constantly visible and a matter of concern to a large proportion of families with children. It has major implications for the rearing of future generations, and thus for the well-being of our entire society. Thus, child care merits serious attention as well from local and state government and the voluntary sector. The federal government, too, has a vital, strategic role in facilitating sound development.

It should be understood in what follows that we use the term child care to include family day care, Head Start, day care centers, pre-schools, private nursery schools, kindergarten, and various kinds of before- and after-school care for children of elementary school age.

Good child care requires attention to socialization and developmental experiences, cognitive stimulation, physical care, nutrition, and safety, regardless of auspice. The dichotomy of education versus socialization/development is a false one if the interests of children are at stake as is a distinction between "developmental" and "custodial" programs. The country with the best child development research in the world has no reason to tolerate false distinctions based on protecting "turf" - or to encourage two-tier approaches, one for the educated middle class and another for the poor.

The reality today is that infants, toddlers, pre-schoolers and school-aged children are more likely than not to have working mothers. About two-thirds of working mothers work full-time. Whether working full-time or part-time, given the increasing absence of at-home grandmothers or other supportive relatives, parents turn to formal child care arrangements. In fact, educated mothers and families with over $35,000 annual income increasingly choose nursery schools for their children whether or not the mother works outside the home. Since most families now are small and neighborhoods are often deserted during the day, parents - whether or not they are in the labor force - appreciate group experiences for the socialization, recreation, and learning opportunities offered their children. Minority parents place great emphasis on access to good-quality early group experiences, since they want their children to avoid the learning handicaps and lack of stimulation which have hampered minority children in the past. Whether or not parents are at work, children take advantage of available after-school resources, again - both for enrichment (tutoring, sports and physical exercise, artistic and cultural programs, nature trips, special group socialization experiences, etc.), or for child care (to avoid being left alone).

In short, child care is no longer a "sometime thing" in child and family experience. It is neither a luxury nor a treatment for problem families. What is a "sometime thing" is national child care policy. Since OBRA 1981 - which led to the dropping of the plan to implement federal day care standards, more than a decade in the making - there has been no national policy presence in this field. States and localities have made heroic efforts to fill the gap, and their initiatives must be further encouraged and protected; but the public response is inadequate for lack, as well, of the needed federal presence and financial aid. Nor has the marketplace response - however valid and valued - been in any sense an adequate substitute in areas dependent on public policy.

THE HELP NEEDED

We have been enormously impressed with the scale, scope and creativity of local initiatives in many places and with states which have added funds, planned, expanded the supply. The picture remains unsatisfactory, however because, most jurisdictions lack sufficient resources and because there is no national leadership presence in this field to support the needed expansion and improvement in child care services. Current needs may be summarized as follows:

1. There is a supply problem even though the estimates vary by assumptions about quality - and by whether one regards as satisfactory the choices people without options settle on.

Our recent book documents the fact that despite the growth in child care over the past decade there is a serious supply problem for infant and toddler care, a shortage of all-day programs for pre-schoolers, a major shortage of organized after-school care.

We note the campaigns in a large number of cities/states by corporate groups and information and referral agencies to recruit people into the family day care business. The referral agencies carry long waiting lists for infants and toddlers. Since much of the family day care supply is "underground", it cannot be monitored for stability or quality. The high rate of shifting of children from place to place reported in all surveys is also evidence of a supply problem. (In addition to recruitment campaigns, this problem is being approached through efforts to get more homes licensed/registered and visible by general upgrading.)

Most encouraging is the steady growth of public pre-schools and pre-kindergartens for the 3-4s and of full-school day kindergartens for the 5 year olds. (We see this as the beginning of the desirable development of extensive public pre-schools on a universal basis.) Many recent state initiatives have focused thus far only on early learning opportunity for deprived children and others from non-English speaking homes - all in the context of educational reform and state human capital strategies tied to economic development. With only a few exceptions, current programs are part-day and do not meet the child care needs of most working parents in view of the growing evidence of need for all-day care. Nor have there been consensus answers to the question as to whether the needed program for the "rest" of the day for those in pre-schools should be an integral part of the pre-school program or should be conducted by "non-school" groups. What is clear is that these public pre-schools now meet only a small part of the demand and only part of the need for those who are enrolled. The occasional universal strategy (New York City plans eventually to serve all the 4s) has not resolved the issue of all-day care. There will need to be experimentation, sharing of experience, testing of alternatives and development of funding strategies.

Employer-sponsored care, valuable in some places and under some circumstances, is dependent on public support, largely through the tax system, and is quantitatively insignificant except where special labor supply problems dictate otherwise (as for children of hospital personnel who work odd shifts). Indeed parental preference for community-based care, close to home, for most children is very strong. On the other hand, one should not forego any opportunity to increase coporate participation and support for child care.

The lack of adequate, affordable, protected after-school care is serious and well-documented.

2. The federal government's help is needed to assist some people pay for child care. The amount of aid should vary by income level. The very poor need free service.

There are those who ask: Why subsidize this particular commodity? Is the decision of a second adult in a family to work voluntary? A number of economists, most recently Philip K. Robins, have noted that it may be cost-effective for government to subsidize care both to overcome barriers to work by relief recipients and to permit work by the working poor. The subsidy of child care for the non-poor is cost effective if it permits the entrance of women into the paid labor force, thereby enhancing economic growth and productivity. On top of this, the child care investment has pay-off in the learning, socialization, and eventual productivity of children who start out in handicapping environments. The private market may gain from the parental satisfaction with care offered to particular workers who are then better attached to their jobs, but many of the benefits are externalities, benefits for the society as a whole - which should help pay for them.[5]

We offer a somewhat longer-term perspective on payment and funding. We do not believe that the federal government can or should be expected to pay the costs of filling all the supply gaps.

In the long run, the 3-5s should be served in the U.S., as on much of the European continent, by public pre-schools. While the federal government can and should encourage this development, offer support for technical help and start up (and help finance enrichment for poverty populations), this is a legitimate charge on state and local school budgets. A several year phase-in will be required. States and localities might be offered planning support. As in many countries, this should be a voluntary, universal, free program, guided by localities. Such programs should cover a normal school day, with supplementation under one or another auspice. The supplementary program (covering the hours between the school day and the work day) should be free to the working poor and subject to income-related fees for others if the state so decides. Help by the federal government, we stress, would be a matter of building on state initiatives.

Infant and toddler care, in nurseries, day care centers and family day care homes, meant to support the out-of-home work option, should also be subject to income-related sliding fees. When required for the working poor or for social service reasons in the instances of abuse, neglect and dependency, such programs would continue to be financed out of public social service funds.

A similar approach to funding might be followed for after-school programs in support of parental work in those communities whose finances do not permit, or whose community policies do not support, an enriched free afternoon recreational and cultural offering in centers, churches, recreation department or schools for their pre-teen children.

Where special circumstances dictate (industries with special labor-force needs, company towns), companies - backed by tax credits - might offer on- or near-site care. However, most companies might be expected, rather, to follow current trends and to support child care information and referral services for employers, resource development, educational programs, capital improvement programs, all supportive of community child care.

The modest annual subsidy funds suggested in recent discussion, some $2.+ billion to be available for state demand and supply subsidies would be a significant financing increment in this field and would do much to increase the supply and solve the affordability problem for some families.

3. It would not be wise to spend new federal money in this field without protecting the children whose care is subsidized.

In part, the current supply is inadequate because of its poor quality. The Secretary of Labor said in a speech on March 17 that "Quality child care (emphasis supplied) must become a national priority."

There are those who object to federal help on standards because "regulation reduces supply". Yes, it does. We eliminate dangerous drugs, contaminated food, planes that can't pass safety tests, building insulation that can't meet health standards - and for good reason. We need child care, but it must be child care in which children will not be abused or endangered. It should be child care in which children develop, learn, socialize, thrive. Parents want to be reassured that the country which leads the world in child development research will specify a minimum of protections for their children, and will give states and local government capacity to assure them that those protections are in place.

We know enough about the national picture to be worried. In contrast to the quality of Head Start, a program which is mostly for part-day, too many poor children are cared for in an invisible, unlicensed underground. In fact, many middle class children are also. Providers, especially unlicensed day care mothers, need help in becoming visible and in meeting standards. Many of them want to and respond to supports and incentives. Eventually, they gain in income and referrals.

The federal government almost began to lead on standards a decade ago. The effort was aborted in 1981 despite a large investment. We need a federal program which will encourage states with regard to standards, and will set a reasonable national floor for those who want to qualify for federal funds. That floor should be based on the decades of experience and research that were the basis for the truncated efforts. What are proposed are not the kinds of regulations that are frivolous or that stifle initiative and responsible entry into the field. On the contrary, we need regulations that make child care work respectable and attractive, and give its participants a sense that they are involved in an occupation which meets expectations of parents. This is the minimum the Congress owes to the children and parents of America.

4. If child care is for the long haul, not a sometime thing, and if we agree on the need for diversity, state variations, local initiatives, then federal legislation should help with state capacity building. In addition to a federal contribution to the costs of some of the needed child care, states need help in building a child care infrastructure.

The country has not been sitting back waiting for the federal government. The social changes which have made child care so important have also generated enormous energies and much creativity. Evidence of this is found in churches, social services agencies, schools, settlement houses, and in state and local government. Some large private businesses have also undertaken to help, either in their role as corporate citizens in their communities, or by aiding their own employees. Parents and child care advocates have worked diligently, have experimented, and have invented new ways to assemble resources, to educate consumers, to help parents find programs for their children.

Many of these operations lack resources and therefore cannot do enough. Most of them reflect the lack of state and local governmental infrastructure, and are therefore not adequate. One sees everywhere urgent need for start-up resources, technical assistance, training, planning, and monitoring of basic standards.

A combination of funds to the states for use as subsidies to consumers and a modest contribution towards planning, coordination, advisory committees, the monitoring of standards, training and data collection would go a long way.

5. There is need for an active, if quite modest, federal presence in this field.

Would new legislation automatically create a new, unneeded, and self-perpetuating bureaucracy? It is relatively simple for opponents of federal programs to raise the spector of "bureaucratized baby sitting", better done by grandmothers who need no training: "Do you insist on regulating the baby's aunt, just because she is babysitting?" Obviously, families with the option of in-home care by a grandparent or other relatives, or by paid household help, need not use the more formal, regulated arrangements. We are discussing optional programs which parents decide to use. On the other hand, for the reasons suggested, marketplace and non-profit child care programs serving large numbers of children need to be planned, financed, inspected, given technical aid and kept open - accessible - responsible. Like other societal institutions, these could be over-regulated and over-controlled. There is no evidence that is now the problem, and it is certainly not our goal.

We do not propose a federal bureaucracy to run child care (although Head Start is an impressive story). We believe that the largest program for the 3-5s, should be a function of local school boards. However, if that is not the program adopted, such programs as well as center day care and family day care should in any case be controlled ultimately (as is health and education) by state government but delegated to the county and regional levels and run by various non-profit, for-profit agencies, and governmental units alike.

The current problem is not overbureaucratization but, rather, a federal vacuum and the lack of state capacity and infrastructure. Federal leadership and aid might help states get started in surveying their supply, developing strategies in partnership with their localities, helping localities to plan and coordinate, insuring citizen involvement and exercise of choice at all levels. The essential federal roles that are critical are a) financial aid; b) technical assistance; and c) dissemination of information and creating opportunity for sharing and d) ensuring that federal funds are spent in accord with Congressional intent.

GETTING STARTED - A SUMMARY

We would recommend that the Committee consider the following as a good start.

1) The highest priority is federal financial aid for the working poor and the lower middle class to help pay part of their child care costs. States and localities might choose voucher or direct subsidy programs, depending on their plans. They might develop programs that mix vouchers and direct subsidies, too.

2) Encouragement of school-based development of all-day pre-schools for the 3-5s through time-limited federal research and development activity. This long-term strategy is spelled out in our book, *Child Care*.

3) Encouragement of a major effort to expand infant and toddler care services throughout the country and to ensure its quality.
4) Establishment of minimal federal standards of quality and support for states in their standard-setting, monitoring, and enforcement roles.
5) Encouragement and modest help to the states to develop an infrastructure for planning, standard setting, licensing, inspection, and assistance to localities by means of federal incentive grants.
6) Federal technical aid, information sharing, and research and demonstration projects, to be implemented by the creation of capacity within the Department of Health and Human Services. The federal government should not run day care in every community but should help states and communities that want help to develop adequate day care by giving them access to resources, knowledge, and opportunity for exchange.
7) Providing the special, add-on child care aid needed by states as part of the proposed welfare reform effort to facilitate job search, training, education and work by AFDC parents.

A SUPPLEMENTARY COMMENT ON THE TAX CREDIT ALTERNATIVE

We listened with fascination in late April of this year as one of the members of Congress offered a tax credit alternative to the comprehensive child care bill being considered that day at the Hearing (H.R. 3944). Offered opportunity to comment we noted that the proposed credit was far too modest to be credible as providing parents with an "at-home" option - and that it did nothing to help with the urgent child care needs which had been documented.

Now the child care discussion has posed the alternative of a somewhat larger tax credit - but without offering enough detail to allow full assessment. Nonetheless, we would advance two thoughts:

1. A tax credit can be a useful instrument of family policy.

Our main field of research, the Committee will note, is comparative family policy. We have documented in detail in a long list of books and articles the ways in which western industrial societies have attempted to buttress family life and improve the economic well-being of families and children. We have shown that it is very desirable and quite possible to decrease or eliminate child poverty and also to supplement the modest earned incomes of low-earner single mothers or low-earners in two parent families so as to encourage self-support. The basic principles are clear: Since salary levels have no relationship to family needs, some form of child or family allowance or child tax credit is legitimate. Since children are a precious resource - the needed workers, citizens, soldiers of the future, it is wise for the community to share in the family's costs of child rearing.

Programs such as the following are used in various countries in efforts to assist with family income and strengthen families with two adult workers - or a single mother who is employed:

- a children's (or family) allowance or a tax credit covering all children (it could be taxable);
- income-tested housing allowances as an entitlement;
- health service or insurance as an entitlement;
- an income-tested income supplement for low income workers with very young children;

- automatic child support collection from non-custodial spouses and in the absence of ability to pay, a government-guaranteed minimum child support benefit;
- parental post-childbirth leave for 3-12 months with income replacement at 80-90 percent of the portion of the pre-leave wage that is taxable for social security purposes;
- insurance benefits protecting an employee's right to remain at home for a specified number of days each year to care for a sick child;
- an income-tested child allowance supplement for single mothers of young children;

If there is strong political support for serious study of just how the United States might develop an appropriate vehicle for dignified, non-welfare economic aid to families with children, there is much experience to draw upon and many of the options are known. We would applaud such initiative.[6] A $1,000 refundable tax credit is a good start but its impact would be modest. A full program would be far more expensive than the welfare reform and child care legislation now stalled in the Congress - and far more complex in its challenge to some traditions which have inhibited such action in the past.

We expect no immediate take-up of this subject. We must therefore express the hope that the tax credit will not be offered as a way to derail child care legislation.

2. A tax credit is not an alternative route to the child care improvements which are urgently needed.

No country anywhere lets a child allowance or tax credit replace or affect availability of a child care entitlement, such as free child care, or a child care tax credit, or a child care fee subsidy.

No matter how structured and how helpful to middle-income people, a $1,000 tax credit would not pay for child care for low-income people. The people who most need aid would not be adequately helped. And a credit to families would not support the state administration, planning, information-referral, and standard setting which are needed. It would neither create the needed state infrastructure nor fill the federal vacuum.

We already know that the market alone does not create a good child care system. Adding modestly to the demand subsidies of the present child care tax credit will not change that.

In short, "yes" to a tax credit as a first installment on a needed child allowance in the United States. But "no" to a tax credit which is offered as an alternative child care solution.

CONCLUSION

The child care need is real. It will be with us permanently. The proposals here offered are consistent with reforms being widely discussed: some federal contribution towards the costs of expanding care, support for a state infrastructure to include planning, regulation, training; the development of modest federal capacity to offer leadership, facilities, cooperation, and to ensure that federal money is spent in accord with Congressional intent. All of this would build on what localities and states are already doing. It would support family life and parenting and would move us forward with regard to standards. It would involve parents, experts, providers, and citizens generally in shaping local delivery systems. It would encourage diversity and creativity. It would mean much to the children of this country.

Parents, localities, and states are doing their part. The next steps must be taken by the federal government.

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Cross-National Studies

Income Transfer Programs
Personal Social Services

Public Private Roles
Maternity Policies
Child Care

Corporate Social Welfare
Family and Child Policy

Co-directors
SHEILA B. KAMERMAN
ALFRED J. KAHN

October 11, 1988

TO : Mr. Edgar R. Danielson
U.S. Senate Committee on Finance

FROM : Alfred J. Kahn

RE : Responses to Questions Posed by Chair at Hearing of September 22, 1988 (See page 34)

(1) Response :

Please do not read my comments as reflecting opposition to employer-provided on-site care. The supply gaps are serious and, if employers can help, the help is more than welcome. I would stress, however, that this is no more than a marginal contribution to the solution.

I make three points:

(a) After 7 years of federal educational campaigns and exhortation and both federal and state tax incentives, the sum total of on-site care is very small. Employers do the admittedly popular, inexpensive, cost-free, or simple things like paying for information and referral services, arranging small discounts with proprietary child care providers, and establishing salary reduction plans. All of this is useful and helpful to employees who are covered. It does not add to the child care supply in significant ways. (The major exceptions are hospital and military on-site services; each is a special circumstance.) It does not significantly offset the costs of care for low-wage workers.

As indicated below, all of this is not difficult to understand.

(b) Child development and family experts believe that, all things being equal, a child should attend child care near home. A good program involves families in special activities and events on weekends and evenings. Children do well if they begin their friendships in child care programs and continue them through kindergarten. They like to visit back and forth with local friends. Parents in neighborhoods exchange experiences and build their own supportive networks. A workplace center is not conducive to any of this, given the dispersed residential patterns of a workforce.

Parents do not like and should not have to take infants, toddlers, and preschoolers on mass transportation or on long freeway trips to their child care. Nor should a child's care arrangements be contingent on or a factor in a parent's job attachment.

The combination of the above two factors has led to major declines in on-site care in continental Europe, despite a considerable development in some countries after World War II.

(c) As indicated during my testimony, I believe that a long-term and orderly plan for child care and the assurance of a strong state, local and neighborhood role in planning and finance would involve a school-based preschool for the 3 - 5s and a related after-school program. Ad hoc work-based arrangements (for other than infants and toddlers) cannot but block such a pattern. We would not think of encouraging on-site kindergarten or elementary school for the 5s and 6s and the same logic holds in my view for the 3 - 5s.

If I may elaborate briefly and offer some essential caveats: some worksites are so located vis-a-vis residence that on-site child care automatically becomes neighborhood care. That is fine. Also, employers with odd shifts and special labor force needs may find that - like hospitals - they cannot recruit in a tight labor market without offering such care.

Not unimportant is the fact that a majority of our workforce and a majority of women with young children who are in the workforce are employed in establishments which are too small to sustain a child care program. It takes a large, local labor force to have enough mothers/fathers of children of the relevant ages to establish a child care center in a workplace and to keep it going for several years as the children of the current labor-force get older. Companies and unions have discovered again and again that if they stabilize their work force they cannot use slots in on-site care after a very brief time and must therefore recruit in the community. Then they wonder why they have entered into such arrangements in the first place. They become heavily involved in trying to fill slots, not in meeting employee needs.

Apart from the above, employers find child care complicated to do and requiring special expertise. They worry about liability and they prefer, therefore, to become "good citizens" helping their communities and local government to do what communities and governments do best.

For further detail and illustrations of company and union experience, please see A. Kahn and S. Kamerman, Child Care: Facing the Hard Choices (Auburn House, 1987, pp. 166-202) also see S. Kamerman and A. Kahn The Responsive Workplace: Employers and a Changing Labor Force (Columbia University Press, 1987, pp. 189-216).

(2) Response :

It is true that standards are a burden for those who do not want to or are unable to meet them; it is also true that people who break the law are sometimes forced underground. That is no reason for forgoing standards in this field any more than it would be in other fields regulated by government where there is good reason to regulate in the public interest.

We have in our book, Child Care, cited the ways in which family day care providers in many places have come up from the underground. They have been attracted by the federal food program enough to obey its rules and meet its requirements. If they offer the food program add-on, parents have reason to come to them and their competitiveness is improved. Moreover, they like the ability to become openly connected to referral services, since more children then are referred to them and they are more likely to be filled to capacity. Many of them, seeing themselves in a professional or semi-professional role also like the access to training courses and professional meetings. It provides them with a sense of dignity in their occupation and career. They find it helpful, as well, to learn about tax deduction rights in connection with the use of their homes for their child care business. None of this is possible in the underground. They also then can become eligible in their own right for social security benefits and they can join group health insurance programs.

The incentives do work for family day care providers, the large group now in the underground. Centers are not the "underground" problem - there, we need to work on the standards per se and, most important, on their enforcement.

TOWARDS A NATIONAL CHILD CARE POLICY

Sheila B. Kamerman and Alfred J. Kahn

Columbia University School of Social Work

Unlike many other industrialized countries including some with far lower female labor force participation rates, the U.S. has no national child care program. Moreover, despite dramatic increases in the labor force participation rates of women with very young children, and in the proportion of such young children with working mothers, direct federal expenditures for child care declined in the 1980s, and total public expenditures have not kept up with inflation. The federal government has largely abdicated responsibility for child care services. State governments are taking many valuable initiatives but cannot alone achieve an adequate policy without appropriate federal support and participation.

This memorandum discusses why we need to establish a national child care policy now, what such a policy would look like, and what an appropriate role would be for both federal and state governments.

Good child care, as discussed here, includes socialization and developmental experiences, cognitive stimulation, and physical care - regardless of the auspices under which care is provided. Education, socialization and care cannot be separated if the objective is to provide good child care. When this is understood the question of whether programs administered under social welfare or education auspices are qualitatively different becomes a false issue.

WHY THE U.S. NEEDS A NATIONAL CHILD CARE POLICY

There is a new reality in the lives of young children today and that reality is having a working mother. Two-thirds of the mothers of

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The research findings and policy rationales behind this perspective will be found in Alfred J. Kahn and Sheila B. Kamerman, Child Care: Facing the Hard Choices (Dover, Mass.: Auburn House Publishing Company, 1987).

school-aged children were in the workforce last year; but far more startling, almost 60 percent of the married mothers of children aged 3 to 5 were also in the work force as were 51 percent of wives with children under age 3. To complete the picture of this new reality, just about half of all children under age 6 now have working mothers, including more than half the children living in two-parent families. These rates are still increasing and have risen by about 20 percent just since 1980. In effect, the "typical" preschool-aged child now has a working mother and most of these mothers work full time. These children need care while their mothers work; and for most, relatives are not available to provide care.

At the same time, what we know about what makes for a good experience for children growing up, and how parents view child care, has also changed. Researchers such as Allison Clarke-Stewart and Sandra Scarr have pointed out the value of a good group experience for preschool children. Other researchers such as Schweinhardt, Weickart, and Lazar have stressed the benefits such programs provide for children from deprived or inadequate families.

Clearly, parents want and use good child care programs, when they can afford them. Thus, for example, affluent and well-educated parents use preschool programs in remarkable numbers, whether or not mothers are in the labor force. About 70 percent of 4 year olds and more than half the 3 year olds whose mothers are college graduates or whose families have incomes over $35,000 are enrolled in preschool programs whether or not their mothers work. Good child care programs are essential for children with working mothers, and are an important and valuable experience for 3 year olds and older, regardless of the labor force status of their mothers. Indeed, here the problem lies in limiting access to those who can pay the price, leaving those other children from poorer families to informal or less adequate care.

Finally, the multiple new efforts now emerging regarding "welfare reform", "workfare", and employment and training initiatives all clearly require attention to child care if low-income, single mothers are to achieve economic independence and self sufficiency. Mothers of young children are no longer viewed as "unemployable". How to provide care for their children without segregating them from other children, and how to assure their children of adequate care as well as appropriate learning and socialization experiences, is one other aspect of the new reality of children's lives. If the policy for poor people, including single mothers, is to be work and employment as a source of income or criterion for income support, then low-income parents will have to be offered decent, subsidized child care.

The basic principles undergirding any new national child care policy must be: (1) to respond to the new realities of children's lives; and (2) to avoid the establishment of a two-tier child care system where poor children have one experience and middle and upper class children another better and more enriching experience.

The goals of such a policy would be:

- to provide care to the children of working mothers;
- to make it possible for low income, single mothers to go to work or to obtain training;
- to enhance good child development;
- to compensate for early childhood deprivation;
- to promote economic development;
- to avoid the emergence of a two-tier child care system.

We summarize below the pattern which we recommend on the basis of our recently completed national study. Each of the components discussed involves considerable history, tradition and concern for resources and responsibilities.

CHILD CARE SERVICES FOR CHILDREN OF DIFFERENT AGES

Child Care For Infants and Toddlers: Children Under Age 3

Here, the focus should be on responding to the needs of the approximately half the children of this age (almost 5 million) who have working mothers. The need here is for adequate, appropriate and affordable care.

Any national infant care policy must take note of the half of all married mothers who are in the workforce by the time their baby is one year old. Thus, one essential component of an infant care policy must be provision of a paid, job-protected disability and parenting leave to cover at least 4 months (and preferably 6 months) at the time of childbirth or adoption. More than 100 countries around the world including many among the developing countries, too, provide a paid, job-protected maternity leave. Working women in the European countries typically are entitled to a 5 - 6 month paid leave and an additional one year unpaid but job-protected parental leave. Fathers are increasingly entitled to some part of the paid leave in many of these countries as well as sharing the right to an unpaid leave in most. This is an essential policy if we are concerned about good child development and about protecting the economic security of families with children. Such a policy could be established by federal law; but if none is forthcoming, as a beginning, states could follow the lead of the five states now providing temporary disability insurance (TDI). Under federal Pregnancy Discrimination Act (1978) this leave must cover what is called "maternity disability". All states, including those that now have TDI programs, could add to this a law requiring job and benefit protection while out on disability leaves, also.

Most children of this age, with working mothers and in out-of-home care, are now cared for in family day care homes, although a growing proportion of those whose mothers work full time are in day care centers. Parents need to be assured of an adequate supply of care in these programs and the quality needs to be improved. (See below with regard to standards and caregiver training.) There is some uncertainty about the adequacy of supply but there are major questions about the quality of the care provided in family day care homes. Much is unregulated; even where there is regulation, the regulations themselves have been weakened in many places and the enforcement machinery has been dismantled. There are questions about the future labor force for this work and about the pattern of service delivery (independent providers; networks; family day care homes linked with centers or preschools). Clearly, the initiative for improvement belongs to the states. There are "projects" everywhere but the sum total is still inadequate.

Assuming an improved family day care "system", parents would pay income related fees in these programs. (Internationally, this is often defined as 10 percent of net family income.) Parents would be subsidized additionally, by federal and state tax benefits while providers would be subsidized (directly or through a vendor/voucher program) through federal and state social service funds (Social Service Block Grant and related funds.)

Child Care For Children Aged 3 to 5: Preschool Programs

Here the focus should be on establishing a universal preschool program in the schools, because the public school system offers the most universal system for children that we have. Whereas some states are using income-tested strategies (subsidized day care) and others, compensatory education through the schools, neither will meet the basic needs that can only be addressed by a universal preschool. Such a program would be available to all children this age whose parents wish their participation, whether or not their mothers are working, because the experience is important and valuable. The objective should be to begin establishing such programs immediately and to develop a plan for implementation so that within a few years all who want to participate can do so. At present, almost all the continental European countries have such programs. For example, in France about 97 percent of all 3 - 5 year olds and half of all 2 year olds attend, on a voluntary basis, the French preschool program. The same proportion does so in Belgium;

about 85 percent of the age cohort are served in Italy; and about 70 - 80 percent in Germany. (We note here that the European countries with extensive provision, both of maternity and parental benefits and leaves and of child care services, do not necessarily have higher female labor force participation rates nor higher unemployment rates than we do.)

Child care for children aged 3 to 5 would be carried out in school-based programs covering the normal, full school day. Parents preferring a part-day program could choose that option as could parents needing and wanting an extended-day program covering a full work day. The supplementary, extended-day program could be provided either under the same school auspice or under another auspice, at state option (e.g. a community facility or day care center). These preschool programs would be administered under their own separate, special "preschool administrative auspice" in order to ensure age and development appropriate programs and not merely a "primary school" for younger children. It obviously would be far better to have an integrated all-day program (even though some children might participate part day) than to administer separate "care" and "school" components.

The basic preschool program would be made available to all children free of charge. The extended-day program could be subject to income-related fees, if financial constraints required this.

Funding for the basic preschool program would be through state (and local) education funds with federal funds provided to help states launch new programs. The parent fees for the extended-day program would be subsidized through federal and state tax benefits while low income families could also qualify for subsidies through federal and state social service funds.

After-School Programs For Primary School-aged Children:

Children aged 6 to 10

Here, the focus would be on innovation and exploration in a developing field. These programs would be provided under diverse auspices (school, community facility, family day care homes) and charge income-related fees. Financing for low-income families would be through federal and state social service funds and tax benefits to parents. Federal support for demonstration programs would be important. Several of the European countries are establishing these programs although none of the western European countries have extensive coverage as yet.

FEDERAL AND STATE OPTIONS

The primary federal role in a national child care policy would involve financing of services (until such time that states no longer share in AFDC and Medicaid expenditures), supporting research and demonstration programs, setting minimum standards, providing technical assistance and carrying out national data collection. The federal government would have no operating program responsibility.

The primary state and local role would involve operating programs (public preschools), supplementary financing, collecting statewide data, setting standards if states want to opt out of the federal requirements. (See below.)

FINANCING

For the present, and unless there were some reallocation of responsibility for Medicaid, AFDC, and social services, financing would be carried out by both federal and state governments.

The major source of federal funds would be increased Title XX (SSBG) funds and increased federal tax benefits made refundable for those with incomes below the tax threshold. Federal funds should also be provided (a) to help states start up a system of preschool programs, (b) to establish demonstration after-school programs; and (c) to improve caregiver training. (See below.)

The major source of state funds would include state education funds, social service funds, and tax benefits similar to the federal benefits.

The tax benefit could be limited to families with incomes under a specified ceiling such as, for example, double the median family income (rather than a fixed dollar maximum).

STANDARDS

Here our viewpoint is that the way to increase the supply of child care services is not to decrease state monitoring, standards and licensing requirements (as some states are now doing and some in Congress have proposed). Parents are entitled to some assurance that their children are cared for adequately, especially in facilities receiving public funds; and it is the responsibility of government to assure them of such protection.

The federal government would set minimum standards for all federally funded programs including those for which parents receive tax benefits on their federal income tax returns. States could opt out of this requirement, if they imposed higher standards (and enforced them).

CAREGIVER TRAINING, QUALIFICATIONS, SALARIES

For child care services to be of good quality and for family day care programs in particular to be improved, caregivers have to be better trained, better qualified and better paid. Here, there is considerable need for federal initiatives and support for demonstration programs and for technical assistance to states and localities desirous of setting up such programs.

EMPLOYERS

Employers are increasingly aware of the need for - and value of - good and affordable child care services. Increasingly, they define these services as part of the social infrastructure in a state or locality, and a factor attracting them to a particular location. For the most part, employers view child care provision as state and/or community responsibility, not theirs. Some can and will, however, be expected to pay for child care information and referral services for their employees. Others will take advantage of current tax incentives to do more. It is unrealistic to expect employers to solve a significant part of the child care problem, however.

January, 1988

TESTIMONY OF

ANN MUSCARI, VICE PRESIDENT FOR CORPORATE COMMUNICATIONS
KINDER-CARE LEARNING CENTERS, INC.
COMMITTEE ON FINANCE
UNITED STATES SENATE
HEARING ON THE FEDERAL ROLE IN CHILD CARE
THURSDAY, SEPTEMBER 22, 1988

Mr. Chairman and Members of the Committee:

I am Ann Muscari, past President of the National Association for Child Care Management and current Vice President for Corporate Communications for Kinder-Care Learning Centers, Inc. I am here today on behalf of Kinder-Care, the largest proprietary center-based child care provider in the United States. Founded almost twenty years ago, Kinder-Care now operates over 1,100 centers in 40 states. Our 16,500 plus employees provide quality care to over 100,000 children.

We are part of a young, vibrant, and growing industry which is working to meet the child care needs of young families. We are in a service industry, dominated by small businesses, that seek to provide quality, licensed child care at an affordable cost. Further, we are part of an industry which grew out of entrepreneurial efforts that recognized a fundamental change in the complexion of the U.S. workforce. You have before you the statistics that demonstrate the dramatic increases in female workers, in single-parent families, and in the percentage of working women with children under six years of age who, by choice or by necessity, remain in the workforce. Private, proprietary, center-based child care serves this new workforce.

I should add here that each and every one of Kinder-Care's 1,155 centers is licensed and regulated by the state in which it operates. I believe this is true of most all private non-sectarian center-based providers. In most cases, this means that we are inspected by fire inspectors, safety inspectors, health inspectors, sanitation inspectors, environmental inspectors and State licensing officials. The fact is, private center-based child care is one of the most regulated industries in the United States today.

As members of this committee are aware, some of the child care proposals now pending in Congress call for still another layer of regulation -- this one at the federal level. I would like to concentrate this afternoon on the question of federal regulation. Federal regulation would increase the cost of child care, divert resources toward the establishment of a bureaucracy and away from children in need of child care, and impact on parental choice. These federal regulations would drive many providers underground and stifle the supply of child care at a time when the need has never been greater and shows every sign of continuing to surge.

I believe I speak for all private center-based providers when I say that we are not per se against regulations or against standards. On the contrary, the states in which Kinder-Care is expanding the fastest are states with the tightest standards. We are, however, strongly opposed to artificially-imposed federal standards that do not take into account the unique set of circumstances that exists in each state. Some proponents of federal regulation have asked me: "Wouldn't it be easier for you, administratively, to comply with a single set of federal regulations rather than deal with the myriad of standards in the 50 states?" The answer is, "sure, administratively it would be easier." But ease of administration is not a major factor when one considers that the regulations would substantially reduce the availability, affordability, and, in the aggregate, the quality of child care. The states are best equipped to determine the special child care needs and concerns of their citizens. And although I do not have any specific figures, from my experience I can tell you that there has been a dramatic increase in regulation at the state level during just the past five years.

Child care is above all an economic issue. But the economy of Oregon is very different from the economy of Texas. The parents of the children in our 131 centers in Texas have a definite idea of what they want, what they need -- and what they can afford -- in the way of child care. These parents' attitudes, priorities, and socio-economic status are often different from those parents in, say, New York or Kansas. To artificially impose federal standards on these very different situations is not only unworkable, but would be counter to the stated goals of any legislation -- to increase the availability and affordability of quality child care. It is difficult to set standards that are workable in both urban and rural settings within a single state. Any attempt to seek nationwide standards would be a catastrophe. If the supply of child care is to keep pace with the rapidly rising demand, it is essential that there be a favorable climate for its growth. Clearly, some of the proposed legislation goes in the other direction.

For example, the federal standards required in the proposed Act for Better Child Care or ABC bill would increase tuition costs to parents, displace children currently in licensed child care facilities to cheaper unlicensed facilities, and force the closure of many licensed child care centers. Clearly, poor children will receive poorer care... underground or substandard.

Of all the regulations, child-staff ratios have the most direct bearing on the supply of child care. Virtually all states have regulations limiting the number of children one staff member can care for in a child care center. Since staff salaries comprise one of the largest components of our costs -- close to 50 percent -- low child-staff ratios limit the number of children that can be cared for. The 1979 National Day-Care Study commissioned by the Department of Health, Education, and Welfare, confirmed that the child-staff ratio was the most important determinant of providers' costs. Moreover, the study found only a "slight" correlation between child-staff ratios and quality.

The ABC bill would require that child-staff ratios be set at the median level for all states. By definition, 25 states would automatically be out of compliance. Obviously, in these states, federally mandated child-staff ratios would cause the parents of a smaller number of children to bear the labor costs of each staff member and thereby increase the tuition for each child.

According to a new study by Child Care Review, a well-respected national magazine, the child-staff ratios mandated under that legislation would raise the tuition rates of non-subsidized parents by an average of $351 per year. However, some states would be affected more dramatically than others. For example, it is estimated that the average family in Texas would have to pay $706.68 more per child if Texas were required to reduce its child-staff ratio to the median for all states. In fact, the two states which had the ratio in availability and licensed child care -- Florida and Texas -- would be hardest hit by the implementation of the child-staff ratios contemplated by the ABC bill.

The increased cost associated with the lower child-staff ratios would push a large number of children currently enrolled in licensed child care facilities into unlicensed and unregulated facilities. The Child Care Review study estimates that no less than 786,000 children (that is, 19.7 percent of all the children currently enrolled in child care facilities nationwide) would be displaced from licensed child care facilites as a result of the increased cost. In Texas alone, it is estimated that 273,300 children would be forced into unlicensed, unregulated care.

It follows then that if a large number of children transfer out of licensed facilities, some of those licensed facilties will not survive, and supply will contract. The Child Care Review study estimates that the mandated federal standards in the ABC bill would result in the closing of over 12,000 licensed child care facilities, or 20.3 percent of all licensed centers presently in operation.

Still another unanswered problem with federal standards is the question of enforcement. When asked about enforcement, proponents of federal standards say that the states will be responsible for enforcement. What they don't say is where the states are going to get the resources to enforce all these new federal standards. I talk with state enforcement officers every day. I can assure this committee that, in many cases, states lack the resources to enforce existing state regulations; it would be virtually impossible for many of these states to enforce the contemplated federal standards.

Another adverse impact of federal regulations is the creation of a federal bureaucracy For example, the ABC bill calls for an "administrator of child care" who would be required to issue federal regulations, publish state standards, review and approve lengthy and complex state plans, monitor state compliance, and establish a National Advisory Committee on Child Care Standards. Secretary of Labor Ann McLaughlin has stated that a similar program run by the Department of Labor requires 500 people to operate. Money spent on this bureaucracy would be better spent on children in need of child care.

All this is not to say we believe that the federal government has no role in the provision of child care. Indeed the federal government already plays a major role to the tune of approximately $6.9 billion. We believe that the federal government can and should play a role in assisting truly low-income families with child care expenses. I understand that you did just that in the Welfare Reform bill now in conference. This could also be accomplished by making the dependant child care tax credit refundable. We believe Congress should also consider increasing the tax credit for middle-income families.

We also believe that the federal government can and should play a role in encouraging the training of child care teachers.

Again, some of this is already occurring through the Job Training Partnership Act.

Kinder-Care and others in the for-profit sector have been working for almost twenty years to educate the child care consumer on what to look for when considering a child care provider. We would welcome the federal governments' participation in this activity. This will improve the delivery of and heighten the awareness of quality child care.

We also support efforts to more completely and consistently license all types of child care facilities. Still another way the federal government can play an important role in increasing the availability and affordability of quality child care is by giving further incentives to employers to provide child care to their employees, both on- and off-site.

In conclusion, let me say that federal regulations are not the answer to ensuring quality child care. Regulation of child care is best left to the states, which are more attuned to the special needs and concerns of their citizens. The federal government does play an important, but limited, role in the provision of child care. We believe this role should be structured to minimize regulation and bureaucracy, address budget constraints, maximize parental choice, and provide assistance to those most in need.

TESTIMONY OF
HONORABLE SCOTT McCALLUM
LIEUTENANT GOVERNOR
STATE OF WISCONSIN

SUBMITTED TO THE
UNITED STATES SENATE COMMITTEE ON FINANCE
SEPTEMBER 22, 1988

GOVERNMENT'S ROLE IN CHILD CARE

Mr. Chairman and members of the Committee, I am pleased to have the opportunity to participate in this hearing on the "Government's Role in Child Care." It is vitally important for this committee to review the current state of child care in America, and also to discuss the implications of the various child care proposals. The Office of the Lieutenant Governor is the State of Wisconsin's leader in the promotion of employer supported child care. I am also a member of the National Advisory Panel of the Child Care Action Campaign, an active child care spokesman, and the father of three young children -- ages six, two, and one.

At present, there is a wide variety of child care proposals before Congress, each with its own particular focus. While it is encouraging to see the issue supported by members of both parties, we must make certain that the greatest number of people receive assistance without spending money needlessly and without inhibiting the flexibility of working families, businesses, and the individual states.

I hold several objections to the Act for Better Child Care Services (ABC bill), including the $2.5 billion price tag in an era of massive budget deficits, the creation of yet another layer of federal bureaucracy, federal regulation of child care providers, and the provision which mandates a 20 percent state match in funding. In recent years, the states have acquired increasing responsibility for the provision of social services. Additional federal mandates, and the creation of costly layers of bureaucracy, will serve to heap additional tax burdens on the taxpayers of Wisconsin and the nation.

Other bills include tax credit proposals for both working families and for employers who subsidize employee child care costs, revolving loan funds for child care center start-up or expansion, the development of before and after school day care, block grants to child care providers, and the establishment of insurance pools to lower the cost of liability coverage for child care providers. In Wisconsin, we are considering the adoption of several of these types of approaches.

My interest in the child care issue stems from a three-fold concern -- the quality of life experienced by the working family, the intellectual and social development of our children, and the promotion of a productive and competitive economy in both Wisconsin and the nation as a whole.

Wisconsin families, like American families in general, are facing a child care crisis. Women are now entering the workforce in record numbers, leaving two-income and single-parent families struggling to provide quality care for their children. By 1990, 80 percent of the mothers with children under one year of age will be working and looking for quality child care. Nationwide, it is estimated that 11 million children currently require child care. By 1995, 3 of 4 school age children will have both parents in the workforce.

These demographic trends indicate continuing increases in the demand for quality child care services. Although child care services constitute a rapidly expanding small business sector, the private sector simply has not met America's child care needs. To compound the problems of quality and availability, working families must also grapple with the issue of affordability. Child care is the fourth largest budget item for a working family

-- after food, housing, and taxes. Inevitably, many working families must sacrifice the quality of their children's care to adhere to a tight family budget.

Recently, economic analysts have pointed out that many American workers lack the skills for the demanding jobs of the 1990s and beyond. Many strongly suggest that we take greater care in educating the workforce of the 21st Century. Quality, affordable child care will enhance the environment for the early social and intellectual development of our children. We must strive to provide them with educational opportunities before formal schooling begins at age five. We simply cannot afford to neglect the safety, well-being, and educational development of those who will become this nation's future.

As Wisconsin's Lieutenant Governor, I support the expansion of employer supported child care in the state as a means of making Wisconsin businesses more productive and competitive. Studies show, and common sense tells us, that quality, affordable child care benefits enhance employee productivity. A mother cannot maintain maximum production levels at her job if she is worried about the quality of care that her child receives. A father cannot do outstanding work when he is worried about finding a care provider for his sick child at the last minute. In addition to increased productivity, studies show that child care benefits reduce employee absences, tardiness, and turnover; while enhancing employee morale and the employer's public image.

Wisconsin, like the nation as a whole, is enjoying its lowest rate of unemployment since 1974. Nonetheless, in several pockets of the state, businesses are experiencing serious shortages of qualified labor. Many businesses are now using child care as an effective tool to recruit and retain qualified employees in an ever shrinking labor market. To cut to the bottom line -- child care will help businesses maintain and enhance their competitive edge in national and international markets.

In an age of demanding job qualifications, demographic changes, and emphasis on economic competitiveness, businesses are beginning to see the benefits of employer supported child care. Yet, questions concerning the variety of workplace child care options and the potential productivity benefits continue to inhibit the growth of employer supported child care. Many business owners and managers are completely unaware of the number of possible employer supported options. Businesses are not limited to on-site centers, and several alternatives are relatively inexpensive.

In Wisconsin, our child care initiative was undertaken to address these concerns. On October 26, 1987, I sponsored a statewide conference on workplace child care options for Wisconsin employers. After receiving valuable insights from the conference attendees, we concluded that the expansion of employer supported child care in Wisconsin was dependent on the dissemination of quality information about workplace child care options.

To this end, the Lieutenant Governor's Clearinghouse for Workplace Child Care Options was established in January 1988. The Clearinghouse staff provides information to employers interested in child care options and also offers technical assistance to employers actively pursuing a child care program for their employees.

Since January, the Clearinghouse has received more than 185 requests for information from private businesses, chambers of commerce, child care providers, and service organizations. In addition, Clearinghouse requests have increased markedly of late, with more than 140 of the total requests coming in the past fourteen weeks. And as the Clearinghouse services receive greater publicity, continued increases in demand are expected.

The Clearinghouse recently began an extensive process of evaluation to determine the effectiveness of our program and to help identify areas which need improvement. Although the data has not been analyzed completely, preliminary results indicate a high level of success. An overwhelming majority of the participating employers believe that the Clearinghouse information and technical assistance was very helpful. Furthermore, they were pleased that government was providing employers with this type of helping hand.

In the past eight months, the Clearinghouse has established credibility with the business community and with governmental agencies. In fact, the Clearinghouse is receiving national attention. On June 30, 1988 the U.S. Department of Labor awarded the Clearinghouse a $73,546 research grant to conduct a one-year study of the impact of child care benefits on employee productivity. Dr. Kathryn Senn Perry, a nationally recognized expert in the field of employer supported child care, has been hired as the project's primary researcher. We believe the results of this study will provide employers with additional evidence of the benefits of employer supported child care. The Office of the Lieutenant Governor will also participate in a four-state Ford Foundation study of the impact of parental leave policies on the family and business.

I find the accomplishments of the Clearinghouse quite impressive; particularly so in light of the project's minimal funding. Through the Clearinghouse, I hope to continue developing an effective partnership between all levels of government and the private and nonprofit sectors. In this manner, we can combine both resources and ideas effectively to meet the demand for quality child care services in Wisconsin.

Ultimately, this committee must develop a comprehensive answer to the question, "What is government's role in child care?" As I see it, government's role is to help increase the availability of quality, affordable child care in the United States. As you struggle to develop the answers to our child care crisis. I urge you to support governmental efforts to establish cooperative relationships with the nation's business, labor, and educational communities. I believe that a key component of any bill passed by Congress should be a cost effective public/private partnership. In this manner, government can help the private and nonprofit sectors to meet our child care needs without imposing rigid policy guidelines and over-burdening the taxpayers of Wisconsin and the United States.

STATEMENT OF FOREST D. MONTGOMERY

COUNSEL, OFFICE OF PUBLIC AFFAIRS

NATIONAL ASSOCIATION OF EVANGELICALS

on

THE FEDERAL ROLE IN CHILD CARE

Mr. Chairman and Members of the Committee:

Mr. Chairman, on behalf of the National Association of Evangelicals (NAE) I want to express our appreciation for the privilege of testifying before this distinguished committee on the child care issue. The NAE is an association of some 50,000 U.S. churches with 6 million members from 78 denominations. We serve a constituency of 15 million through commissions and affiliates, such as the National Religious Broadcasters. We have been a voice in Washington for evangelicals since 1943 through our Office of Public Affairs.

At the outset, let me say that I am not a child care expert. My own daughter would probably attest to that. I am not here to bombard you with facts and figures. But I am here to indicate in a few brief remarks where NAE stands on child care.

We support the Holloway-Wallop bill; we oppose the Dodd-Kildee ABC bill.

We favor the Holloway-Wallop tax credit approach for several reasons. It preserves parental choice in child care. Being available to all parents, it does not discriminate against full-time mothers. Tax credits can be structured to direct the benefits to low-income families. Last, and most important, the tax credit approach to child care would not discriminate against parents with firm convictions that child care should incorporate a spiritual dimension.

This brings me to our main concern with the ABC approach. Frankly, we were stunned by the anti-religious provisions in the ABC bill as introduced. The June 28, 1988 substitute changes the language but the meaning remains essentially the same -- no religious day care centers need apply. This hostility to religiously based day care cannot be squared with our first liberty--freedom of religion.

Presumably, excluding religiously-oriented child care from federal benefits is thought by some to be a constitutional imperative, though that view subordinates religion to irreligion. In our opinion, they are mistaken. In any event, Congress should do what is right and leave highly speculative concerns about the continued vitality of the Supreme Court's Establishment Clause doctrine to the Court. We see no justification for discriminating against parents who take Scripture seriously in raising their children, and for whom strictly secular child care is woefully inadequate.

Churches run about one-third of the child care centers. It makes little sense, if there is a child care crisis, to fail to help them on the same basis as their secular counterparts. And it makes no sense to discriminate against parents with religious convictions who entrust their children to church child care. Especially in a nation whose motto is "In God We Trust."

CHILD CARE: AN ISSUE BEFORE THE 100TH CONGRESS

Statement by
Senator Daniel Patrick Moynihan

Senate Committee on Finance
Hearing on Federal Role in Child Care

This afternoon, we will hear testimony on an issue of paramount importance to American families. That issue is child care. More specifically, we will discuss the role of the federal government in the provision of child care.

Growing Demand for Child Care

To the casual observer, child care appears to have suddenly rocketed to the top of the public agenda. Not so. As with most great social problems, the issue of child care has been incubating for a long period of time, developing a critical mass, if you will.

Single-parent families, growing as a proportion of all families, have always been on the lookout for good, affordable child care. Meanwhile, two-parent families have increasingly become two-earner families. They too are seeking child care. In short, over the last two decades, as mothers have entered the workforce in record numbers, the demand for child care has grown.

The statistics do not do justice to what many working American parents are up against, but they tell their own graphic tale. Nearly three-quarters of all mothers with school-age children (72%) are in the labor force. Even more dramatic, over half of all mothers with pre-school-age children are in the labor force: 57% with children under 6, 53% with children under 3, and for the first time, 51% of mothers with infants under age 1 are returning to work.

Proposed Legislation

The Congress is not known as an efficient institution. We move with glacial speed on most issues. But we are moving. Indeed, the 100th Congress is awash in child care legislation; over 100 bills have been introduced. Eight of my distinguished colleagues on the Finance Committee have introduced bills and there are 23 child care bills pending before our Committee.

The proposed legislation runs the gamut -- providing money to train providers; establishing, improving, and/or monitoring licensing standards; providing direct and indirect subsidies to defray the costs of child care; restoring and/or increasing funding for child care under Title XX Social Services and the Head Start program, and so on.

My own Family Security Act (FSA), now in the last stages of a House-Senate conference, would provide new federal child care funding for welfare mothers engaged in work, training, and education programs. The FSA would also provide at least 9 months of transitional child care to low-income families who succeed in working their way off of welfare.

Perhaps the best known child care bill in this Congress is the Act for Better Child Care Services (S. 1885) -- the so-called "ABC" bill -- of which I am a cosponsor. That bill has been reported by both the House Education and Labor Committee and the Senate Committee on Labor and Human Resources.

Finance Committee Jurisdiction

What may not be so well known is the degree to which child care funding flows through the Senate Finance Committee. To begin with, we are responsible for all of the tax credits and deductions available for child care. This Committee also has jurisdiction over the Social Security Act programs that make some provision for child care. These include the AFDC program in Title IV-A of the Social Security Act, child welfare services in Title IV-B, and the Work Incentive (WIN) program in Title IV-C. We also oversee the Title XX Social Services Block Grant.

Federal Spending on Child Care

In 1986, the federal government spent $5.5 billion on a wide array of child care programs -- about 45% more (in constant dollars) than what was spent in 1977. In 1977, child care expenditures under Title XX accounted for 40% of federal child care spending. By 1986, however, Title XX child care spending represented only 7% of total spending. Over the same decade, federal spending for the child care tax credit increased by 350%! By 1986, the child care tax credit accounted for 62% of all federal spending on child care.

Clearly, in the last decade, there has been a marked shift in the nature of federal child care funding. And this shift has not been without consequences. Perhaps the most important of these is what has happened to the distribution of federal child care dollars: We are spending less on low-income families and more on middle-income families.

Overall, federal spending for child care is up by 45% over the 1977-1986 period. However, if the child care tax credit is excluded, then federal child care expenditures have declined by about 25% over the same period. (These calculations use constant dollars.) Because many low-income families don't benefit from the tax credit (which is not refundable) -- even fewer since the 1986 tax reform eliminated 6 million low-income families from the federal tax rolls -- the net increase in federal spending on child care has gone largely to middle- and upper-income families.

To Whom Shall the Benefits Flow?

Both presidential candidates and Members of Congress from both sides of the aisle agree that the federal government must increase spending on child care. That question has been settled. These much more difficult questions remain: First, how much more shall we spend? (In this era of Gramm-Rudman-Hollings, need I even mention the corollary: And where will it come from?) And second, to whom shall the new benefits flow?

We are fortunate to have with us a number of distinguished witnesses. We thank them for joining us and we will, no doubt, learn much from them.

U.S. DEPARTMENT OF COMMERCE
Statement of
Martin O'Connell
Chief, Fertility Statistics Branch
U.S. Bureau of the Census

Before the
U.S. Senate
Committee on Finance

September 22, 1988

SUMMARY

One of the most remarkable demographic and economic trends recorded in the United States since World War II has been the entrance of an increasing proportion of mothers with young children into the labor force. In 1987, 57 percent of the women with children under age 6 were in the labor force, four times the level in 1950. Even among women with infant children, over one-half of women in 1987 were either working or looking for work.

These trends have created a sharp demand for child care services in the past decade and have changed the way children are cared for while their mothers are at work. One out of every three preschool age children of working women in 1985 was cared for in their own home while their mothers worked, down from a level of 50 percent in the mid-1960's. The fact that most preschool-age children are placed in someone else's home or in a day care center or nursery school makes child care a major household budget item for families with young children. It is estimated that $11 billion was spent on child care expenses by families with working mothers in 1985. The payment burden falls most heavily on women with young children not old enough to attend elementary school; about 75 percent of the families who make child care payments have children under 5 years old.

The trend towards delaying marriage and childbearing to later ages means that women today have more time invested in schooling and have more labor force experience prior to their first birth. These characteristics are associated with a rapid return to the labor force after childbirth which will potentially increase the demand for child care in the future, especially for infants.

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify before you today. Almost one-half of all married-couple families in America today where the wife is in the childbearing ages consist of dual-employed couples with children. Ten years ago, only one-third of married-couples in the childbearing ages fit this description. The changes in this simple statistic have had profound effects on how families allocate time for their daily activities and the funds from their family budget if they must pay for child care arrangements while both parents are employed. Both public and private sector businesses now face demands by their employees for greater understanding and assistance when employees seek to combine their daily working and childrearing activities.

Today I will examine how American families have met the challenge to provide child care arrangements for their young children during the hours that the child's mother is at work and the estimated expenses incurred by these families for child care arrangements. I will draw upon labor force and child care statistics collected in the Census Bureau's Current Population Survey and the Survey of Income and Program Participation, the latter survey being the primary data base for government child care statistics at the national level. As far as current trends in fertility and child care usage lend themselves to reasonable speculations, I will also comment on the probability of a continuing high demand for child care services in the future and the types of arrangements which are likely to predominate.

Child care arrangements, 1965-1985. Since the mid-1960's, the percentage of women with children under 6 years old in the labor force has more than doubled from about 25 percent in 1965 to 57 percent in 1987. Accompanying this change has been a shift away from in-home child care for preschoolers to care outside the child's home (typically to that of an unrelated person) and more recently to day care centers or nursery schools.

In 1965, almost one-half of preschoolers with working mothers received child care in their own home while their mothers were at work (table 1).[1] This proportion fell to about one-third by 1977. In this same period, the proportion of preschoolers of working mothers who were cared for in day care centers or nursery schools increased from 6 to 13 percent. By 1985, about one-third of young children with working mothers were still cared for in their own home but increases continued in the percentage of preschool age children using day care centers or in nursery schools, reaching 23 percent in 1985, four times the level recorded in 1965.

The movement away from in-home child care to out-of-home services has increased public concern over the availability and quality of child care services. Employers are concerned about absenteeism on the job caused by failures in child care arrangements: loss of time from work for these reasons affected 6 percent of working mothers each month in 1985, reaching as high as 9 percent for women with infants. Absenteeism resulting from child care problems was lowest for women who used day care centers or nursery schools (2 percent) and highest for women who brought their children to another person's home (8 percent).

Changes in child care arrangements are closely related to changes that have occurred in household and family living arrangements. Unmarried mothers usually lose the father's services for child care and may suffer an additional loss of "in-laws" for similar child care services. In 1985, nineteen percent of married working women with preschoolers relied upon their husbands as the primary child care provider while they were at work as compared to 2 percent of unmarried women relying on the fathers of their children. Among married women working part-time, the proportion relying on their husbands as the primary child care provider was 28 percent. The reliance on husbands as child care providers, has a definite effect on the everyday lifestyle on many American families. It is estimated that one third of dual-employed couples with children have at least one spouse who worked other than a regular daytime shift; among couples with 3 or more children, the figure is as high as 42 percent.[3]

Child care finances. The sharp reductions in the utilization of in-home child care that have occurred since the 1960's reflect the overall increase in the labor force participation of all women: the "next door" neighbor of the 1950's who may have been available for child care services is very likely to be working herself in the 1980's. The switch to out-of-home care and day care also has another important effect on family life, namely, the allocation of funds in the family budget for child care expenses.

To place the incidence of child care payments in overall perspective, the majority of children of working women who were of preschool or grade school age (under 15 years) used arrangements in 1985 which required no cash payment. Of the 26.5 million children under 15 years old of working women in 1985, about two-thirds were cared for either by the child's parents or siblings, or were in school most of the time the mother worked. And of the 7.7 million women who used child care arrangements that could reasonably be expected to require some cash payment, about 5.3 million women actually paid for the arrangements they used.

It is estimated that child care expenses paid out by the families of these 5.3 million working mothers totaled $11 billion in 1985 or about $40 per week. Median weekly expenses for families using paid relative child care services was $28 per week per child while families who made payments for day care centers or nursery schools reported a median weekly payment of $44 per child. The median belies significant differences in the overall distribution of weekly payments: only 1 in 10 women using relatives as care providers paid more than $50 per week compared with 1 in 3 who used either nonrelatives or organized child care facilities.[3]

Child care payments may appear low for this important service but for women with several children over the period of a year, child care costs can amount to several thousand dollars. To the full-time child care worker, the wages earned by child care providers must seem even lower. Data from the 1980 Census indicate that while the average hourly wage for all year-round female workers in the labor force was about $5.20: for child care workers, their wage level was about $2.50 per hour.

Do child care expenses pose an impasse to women with young children looking for work? In the opinions of many women, the answer is "Yes." A 1982 Census Bureau Survey asked women with children under 5 who were not currently in the labor force if they would look for employment if child care were available to them at a "reasonable cost," cost being defined as what the family budget could handle given the family's income resources if the women secured a job. Twenty-five percent of these women responded that they would look for work if they had access to reasonably priced child care. Affirmative responses were more frequently given by unmarried women, Black women, high school dropouts and women from low-income families.[4]

Although the labor force expectations of these women might never be realized even if "reasonably priced" child care were available, the evidence suggests that many more mothers would work if child care services were expanded, and that some of the differences in actual labor force participation may be due to differential access to affordable child care.

Trends and forecasts. Several demographic and economic trends and projections suggest that the demand for child care services is likely to continue in the future. Delays in childbearing to later ages imply more potential years of labor force behavior among women before their first birth. Greater investment of time and commitment to the labor force will probably result in more rapid return to work after childbearing, hence more demand specifically for infant child care services.

In June 1976, 31 percent of mothers with children under 1 were in the labor force; by 1987, labor force rates for mothers with infants increased to 51 percent. Approximately 7 out of every 10 women 18 to 34 years old in 1987 were in the labor force; over one-half (54 percent) when asked about their future childbearing plans responded that they someday expected a future birth. These statistics suggest that childbearing and working outside the home are activities that are anticipated to continue to coexist side by side in the future.

Recent projections by the Bureau of Labor Statistics indicate that by the year 2000, 62 percent of all women 16 years old and over will be in the labor force. The labor force rates for women with preschoolers in the year 2000 will likely exceed the rate for all women as is currently the case (57 and 55 percent, respectively, in 1987).

Competing demands for child care for children in the 3 to 4 year old age group may also arise from demands made by women who are not in the labor force but who seek to start formal learning experiences for their children at early ages. Nursery school enrollment rates from the October 1986 Current Population Survey indicate that the enrollment rate for children whose mothers were not in the labor force was 28 percent (compared to 38 percent for children whose mothers were in the labor force). The children of these women comprise 40 percent of the 2.3 million nursery school students 3 to 4 years old. This suggests that nursery school cannot be regarded as solely an educational convenience for working mothers; hence, competition for available spaces by women not in the labor force is a real issue that must be considered in any projection for the demand for nursery school or day care center openings in the future.[8]

Counterbalancing the potential increase in demands for child care services in the future will be declines in the projected number of births. The current level of about 3.8 million births annually is projected to hold for a few more years but then is projected to decline to about 3.6 million by the mid 1990's and 3.5 million by the year 2000. This projected decline may moderate the demand for child care services produced by any projected increases in labor force participation by women with young children.

One final demographic projection needs to be discussed. The young adult population of persons 18 to 34 years old will sharply decline from its present level of 70 million persons to a projected level of 62 million in the year 2000. This shortfall may create a labor demand which could induce young women in the childbearing ages to fill vacant entry level positions created by the aging of the larger cohorts of workers immediately preceding them.

These projected changes in the economy and in the age structure of the population suggest that the while overall demand for child care providers may moderate after the year 2000, most signs point to a continuing demand for at least the upcoming decade. Areas of child care needs and concerns will focus on child care provided outside the child's home environment and on child care needs geared to infants as more women return to work within a year of their child's birth.

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[1] Data from the June 1958 Current Population Survey for women with preschoolers working full-time suggest that the proportion of children cared for at home may have been as high as 60 percent. The 1965 survey was the first Census Bureau survey which covered all working women regardless of their part-time or full-time status.

[2] Harriet B. Presser, "Work Shifts of Full-Time Dual-Earner Couples: Patterns and Contrasts by Sex of Spouse," Demography, Vol. 24, No. 1 (1987), pp. 99-112.

[3] Martin O'Connell and Amara Bachu, "Who's Minding the Kids? Child Care Arrangements: Winter 1984-85," Current Population Reports, Series P-70, No.9 (May 1987).

[4] Martin O'Connell and David E. Bloom, "Juggling Jobs and Babies: America's Child Care Challenge," Population Trends and Public Policy, No. 12 (Washington, D.C.: Population Reference Bureau, February 1987).

[5] U.S. Bureau of the Census, "School Enrollment-Social and Economic Characteristics of Students: October 1982," Current Population Reports, Series P-20, No. 408.

Table 1. Child Care Arrangements of Pre-School Age Children of Employed Women, 1965 to 1985

(Percent distribution. Numbers of children in thousands)

Type of child care arrangement	1985	1977	1965
Number of children	8,168	4,370	3,794
Percent	100.0	100.0	100.0
Care in child's home	31.0	33.9	47.2
By father	15.7	14.4	14.4
By other relative	9.4	12.6	17.5
By nonrelative	5.9	7.0	15.3
Care in another home	37.0	40.7	30.7
By relative	14.7	18.3	14.9
By nonrelative	22.3	22.4	15.8
Day care/nursery school	23.1	13.0	5.6
Mother cares for child 1/	8.1	11.4	15.8
Child cares for self	-	0.4	0.5
Other arrangement 2/	0.8	0.6	0.3

Source: Current Population Surveys of February 1965, June 1977, and the Survey of Income and Program Participation, 1984 panel.

Note: 1985 and 1977 data refer to children under 5 years old: 1965 data refer only to children under 6 of ever-married women.

1/ Includes mothers working at home.
2/ Includes children in kindergarten/grade school.

TESTIMONY
OF
THE ASSOCIATION OF JUNIOR LEAGUES, INC.
ON
CHILD CARE

PRESENTED BY

SUZANNE BOND PLIHCIK

Good afternoon. My name is Suzanne Plihcik. I am the Chairman of the Public Policy Committee of the Board of the Association of Junior Leagues and am a member of the Junior League of Greensboro, North Carolina. In my community, I serve on the board of the Guilford County Commission on the Needs of Children. I am pleased to have this opportunity to present to you the Association's views on the role of the federal government in support of a comprehensive child care policy for America.

The Association of Junior Leagues is an international organization of women committed to promoting voluntarism and improving the community through the effective action and leadership of trained volunteers. Today, there are 263 Leagues in the United States representing approximately 170,000 members. The Association's commitment to the improvement of services for children and families is long-standing. Junior League volunteers have been providing such services since the first Junior League was founded in New York City in 1901. In the 1970s, the Association and individual Junior Leagues expanded their activities to advocate for legislative and administrative changes directed at improving the systems and institutions which provide services to children and their families. These advocacy activities have focused on such issues as child care, child health, child abuse and neglect and child welfare services.

Trends Affecting Child Care

The dramatic rise in the number of women working outside of the home has increased substantially the demand and need for child care. In the past 15 years, growing numbers of mothers of children under the age of six have returned to work. The numbers will only continue to increase since women will account for the majority of the growth in the labor force between now and 1995. Moreover, it is important that we recognize that most of these women--both as members of two-parent and of single parent families--work because of economic necessity. Some important trends affecting child care are:

- Sixty-five percent of all women 18 to 64 years of age were in the civilian labor force in 1985; more than 70 percent of women 25 to 34 years of age currently are in the labor force according to a U.S. Department of Labor report.
- Two-thirds of the mothers in the work force either are the sole support of their families or have husbands who earn less than $15,000 per year; the House Select Committee on Children, Youth and Families reports that there would be a 35 percent increase in the number of two-parent families living below the poverty line if the mothers in these families were not employed.
- Seventy percent of mothers with school-age children and 59 percent of the mothers of preschoolers were in the labor force in 1986; today, over 50 percent of mothers with children under one also are in the labor force. It is estimated that two-thirds of women with preschool-age children and three-quarters with school-age children will be in the work force by the mid-1990's.
- A 1987 Census Bureau study states that one in twenty working parents was absent from work because of child care problems in the month prior to the study.
- Almost 68 percent of single mothers worked in 1985.
- A woman working full-time at minimum wage would have to spend approximately 40 percent of her paycheck for child care (based on an average of $57 per week for one child).

The Components of Good Child Care Policy

There is no one type of child care program, no single funding system nor approach which can be developed to respond adequately to the need for a comprehensive child care policy in this country. However, there are a number of key principles that we believe must be addressed in the development of a comprehensive child care policy.

Foremost, it is the Association's position that child care must be easily affordable and accessible to all parents who want it, and of good quality. Secondly, a variety of child care programs need to be available to meet both the preferences of parents and the needs of children at different age levels. Families with newborns want and need child care which is very different from what families with school-age children want and need. Some families will prefer to place their children in child care settings that are close to home while others will prefer to find child care settings nearer to where they work. Thirdly, the enactment of current federal parental leave legislation will begin to address the special needs of working parents with newborn, newly adopted or seriously ill children.

Finally, while many different types of funding--both public and private--need to be developed to meet the overall need for child care, it is important to ensure that different funding mechanisms do not lead to separate and segregated types of child care based on family income.

Junior League Activities to Improve Child Care Services

Junior Leagues throughout the United States support child care projects and programs in their communities. These activities range from increasing the affordability and the supply of child care to providing information and referral services. Because the Junior Leagues have been active in improving child care services, they have recognized the need for federal leadership and government funding to ensure quality child care. Consequently, many Junior Leagues have supported legislation at the local, state and federal levels. I will highlight aspects of Junior League activities regarding child care that point to the need for a more comprehensive federal child care policy.

Affordability of Child Care Services

In Iowa, the Junior League of Des Moines, in 1976, began a 12-year commitment to improving child care services when it found that good, quality child care was not available for every child in Polk County. The League first provided seed money and guidance for the development of the Child Care Resource Center, a branch of the Polk County Department of Social Services. Working in collaboration with the resource center, the League helped develop a computerized information and referral service and provided start-up funding and volunteers for the Child Care Subsidy and Assistance program. The League also provided training and equipment to caregivers necessary for infant care.

Several years after the start-up of the resource center, the League developed the Child Care and Subsidy Assistance program to provide child care assistance to qualified low-income families because of cutbacks in federal and state subsidies. The project provides vouchers which allow maximum parental flexibility in choosing child care. Because resources limit the numbers of families the program can serve, the program does not advertise widely. Thus, project staff assume that the comparatively low waiting list figures of 15-20 families monthly represent a conservative estimate of the unmet need for subsidized child care in Des Moines. In fact, all of the current child care facilities of all kinds in Des Moines can provide care for only 12,000 of the reported 47,000 children needing care.

Information and Referral Services

Many Junior Leagues have been active in community child care information and referral projects. Their experiences indicate that information and referral services can increase the accessibility and the coordination of a community's child care services and can improve the quality of child care by providing technical assistance to day care providers.

The Junior League of Salt Lake City developed an information and referral project, the Child Care Connection, after a study of community needs found that there were no centralized child care information and referral services in Salt Lake City, or anywhere else in Utah. The Junior League of Salt Lake City took the initiative in developing the program because it found that businesses were reluctant to become involved in child care without first having information about community needs.

The Salt Lake City League quickly found the demand for information and referral services to be overwhelming. Further, it became apparent that additional resources, including more leadership from the federal government, were necessary if the multitude of child care needs in Salt Lake City were to be met. Testifying in support of the release of funds authorized for the State Grants for Dependent Care Planning and Development, familiarly known as the Dependent Care Block Grant, before the Subcommittee on Children, Family, Drugs and Alcoholism of the Senate Committee on Labor and Human Resources in March 1986 in Washington, D.C., a representative of the Salt Lake City Junior League stated:

> We must expand to be a resource...Funding for this legislation would send a strong message to private business that the government recognizes the need and that business, too, should take the time to look at this issue. The successful resource and referral project, we feel, is one that combines a partnership between private business, the federal government, the local community, and volunteer organizations, such as the Junior League...

Quality of Child Care Services

In addition to information and referral services, Junior Leagues have been involved in projects that address other aspects of improving the quality of child care. Several Junior Leagues have developed and collaborated in projects that provide direct training to child care workers and potential child care workers. A substantial number of Junior Leagues have projects that advocate for improved and stricter state licensing and adequate standards for child care.

The Junior League of Oklahoma City is among those Leagues which have been active on the issue of state child care licensing. The League supported legislation which would require regulation of day care programs and would encourage greater collaboration between the Oklahoma City Council and the Oklahoma City/County Health Department to ensure safe, high quality, affordable child care. The Oklahoma City League also took part in activities to educate both its membership and the community about the need for licensing to ensure a minimum standard of child care. In addition, over the past year, the Junior Leagues of South Bend, Fort Wayne, Indianapolis and Evansville in Indiana have been working in collaboration with the Council of Churches to ensure that church operated day care facilities meet appropriate fire regulations.

The Junior League of Philadelphia, in response to its growing concern about the lack of trained child care providers, implemented Project Independence.

After studying economic concerns in their community, Junior League members discovered that the lack of affordable, quality child care was a major difficulty for women in the work force. The project both improves the quality of child care by providing necessary training, as well as increasing the supply of child care in the community. In addition, low-income women are given skills that help them to improve their economic situation. A similar type of project was operated by the Junior League of the City of New York.

Accessibility of Child Care Services

In addition to providing training to increase the number of child care providers in their communities, Junior Leagues have implemented other projects that respond to the need for an increased supply of child care.

Members of the Junior League of New York City monitor state legislation that would affect the supply of child care. The League advocates for legislation that would fund and staff child care facilities that promote non-school hour programs for school-age children and provide tax credits to encourage the development of child care centers. Similarly, the Junior League of Providence, Rhode Island, advocates for increased state reimbursement rates for home and center-based child care providers and for grants and tax incentives to encourage employer-sponsored child care initiatives.

Recognizing the need for increased child care services, the Junior League of Orlando-Winter Park, in 1984, launched a project to encourage local employers to provide subsidized child care, the Child Care Assurance Plan (CCAP). CCAP, a program developed by the Community Coordinated Child Care for Central Florida (4C), encourages businesses to contribute to the cost of employees' child care in a manner similar to the way in which health care benefits are provided. Under CCAP, a company agrees to pay a percentage of the cost of child care for each employee desiring child care. The program is designed to be flexible to meet the needs of individual companies. All day care providers participating in the program, however, must be licensed.

Although the project has been successful, the area still has a significant child care crisis. In February of 1987, there were 23,610 children on the waiting list for subsidized child care in Florida. Two thousand of these children reside in the three counties served by 4C. Florida, as is the case for virtually all other states, needs many more quality, subsidized child care slots.

The Need for Parental Leave

Many Junior Leagues, through data compiled from child care information and referral programs, are able to document the special problems the parents of newborns face in finding child care.

In Des Moines, the Child Care Subsidy and Assistance program, reports that requests for infant care accounted for 51 percent of the more than 2,200 calls received in the last six months of 1986. However, only eight of the 65 child care centers in the community provide infant care. Some of the children for whom care was sought were as young as six weeks; the average maternity leave for the majority of employees in Des Moines is six weeks.

Many of the mothers seeking infant care from the project express conflict about placing their newborns in care. However, the project reports that the decision to return to work generally is not a choice for most of the mothers seeking infant care. Increasingly, families requesting infant care are single female heads-of-household. In other cases, both parents' income is essential to maintaining the family; neither parent has the option to remain at home to care for the newborn child without significantly lowering the family income.

The situation in Des Moines is mirrored throughout the country. The Junior Leagues of Salt Lake City, Oklahoma City, Cedar Rapids and other cities, report the same problems--the number of requests for infant care continues to rise while the number of high-quality licensed care providers for infants remains low. Moreover, the requests for care often are accompanied by expressions of dismay and guilt by the parents at having to put their infants in care at such early ages.

As all the above examples illustrate, the private and voluntary sectors are actively engaged in addressing child care. Yet, in each instance, the importance of an expanded federal role also is underscored.

The Role of the Federal Government

The need for child care is clearly documented. Further, as the labor force statistics underscore, the need is likely to grow well into the future. The responsibility for addressing the need for child care does not rest solely on any one segment of our society. Rather, a strong partnership of the private sector, the voluntary sector and the public sector at all levels is necessary. Within this partnership the role of the federal government is, we believe, especially critical. The federal government is in the unique position both to provide essential leadership and to ensure the establishment of a stable infrastructure which ensures that child care throughout the country will be affordable, accessible and of good quality.

Specifically, the Association supports the Act for Better Child Care Services (ABC) (H.R. 3660/S. 1885), as reported out of the respective House and Senate Committees, and urges its passage in the 100th Congress. We believe that the legislation addresses the need for improving child care services for all families and for making quality child care more accessible and affordable for low- and moderate-income families. ABC would support parental choice and encourage the development of diverse services by allowing states to design and fund programs using center-based care, family day care and child care certificates. We also support provisions in the ABC legislation for the development of minimum standards for child care, as well as support for activities that would increase the quality of child care services. ABC creates a set of minimum federal child care standards and enforcement practices for all licensed and regulated child care within a state to ensure the health and safety of children. The ABC bill also helps to ensure that providers have at least some training by requiring that states fund training facilities and also that child care workers obtain 15 hours of yearly, in-service training.

The Association also supports provisions in welfare reform legislation, currently pending before Congress, which mandate that child care be provided to all parents in work, job training and education activities and provide for transitional child care services for families leaving welfare. We are particularly pleased with the provisions of H.R. 1720 as passed by the Senate which would allow states to reimburse up to market rates for child care expenses for welfare families.

The Association also continues to support the Dependent Care Tax Credit which can be an effective complement to the ABC legislation. However, the tax credit alone cannot assure parents the ability to afford child care. The average annual cost of child care is estimated to be $3,000, considerably more than the estimated average annual tax credit of $350 per taxpayer. Moreover, tax credits do not increase the supply or improve the quality of child care. Furthermore, the current tax credit is not refundable and, thus, is of no benefit to lower income taxpayers who have little or no tax liability. The Association supports efforts to make the Dependent Care Tax Credit refundable and to increase the sliding scale to improve the ability of the credit to benefit lower income families.

The Association also supports and urges passage of federal parental leave legislation currently pending in the Senate (S. 2488). Parental leave legislation would give parents the necessary job guarantees and continued medical coverage to enable them to stay home after childbirth, adoption or in the event of a serious illness of a child. We believe that parental leave legislation, along with an improved Dependent Care Tax Credit, will complement the provisions of the ABC legislation.

The Title XX Social Services Block Grant (SSBG) also is an important element of good child care policy; it is the most important funding source for child care for very low-income families. Yet, funding for Title XX (SSBG) has been cut by approximately 20 percent since 1981. The Association continues to support increased funding for Title XX (SSBG).

The Association also supports and urges continuation of other smaller federal initiatives which are providing important start-up funding for selected child care activities. Specifically, the Association supports and urges increased funding for the Dependent Care Block Grant Program which provides funding both for the development of dependent care information and referral systems and for the start-up of before- and after-school child care programs.

Conclusion

As this testimony points out, the need for expanded and improved child care is clear and well documented. The Association believes that new initiatives can and should be taken by the private sector as well as by state and local governments. However, we are convinced that we cannot move forward to develop adequate child care policy without the assistance and leadership of the federal government. Passage of the Act for Better Child Care Services, and of parental leave legislation, improvements in the Dependent Care Tax Credit and increased funding for Title XX and the Dependent Care Block Grant are key elements in the development of a comprehensive child care program. We believe the federal government has a unique opportunity to meet this challenge and to take a leadership role to improve child care services in this decade. We encourage your support and look forward to continuing to work with you to expand and improve child care in America.

Suzanne B. Plihcik
Chairman, Public Policy Committee
Association of Junior Leagues

Testimony of Robert Rector

Policy Analyst for Social Welfare and the Family:
the Heritage Foundation
before
The Senate Finance Committee
September 22, 1988

The Heritage Foundation

I wish to thank the committee for allowing me to testify today. The United States government is presently embroiled in a debate over the fundamental principles of a family/childcare policy. At the heart of this debate are five basic questions.

In answering these questions, we must recognize that whatever the government chooses to subsidize we will get more of. If the government subsidizes a limited set of childcare options, we will certainly see use of those options expand even though parents might have preferred other choices in the absence of government intervention.

1. The first question is should a national policy assist only families with employed mothers--- should it exclude those families which make an economic sacrifice so that the mother can remain at home to raise her own children?

2. The second question is: in aiding families with employed mothers should the government support those families that use day-care provided by relatives, neighbors, and churches-- recognizing that a majority of day-care for pre-school children takes these forms. Or should the government assist only those families which use institutionalized day-care in professional centers?

3. The third question is who gets the money? Should funds go directly to parents through tax relief to be spent according the parents' priorities? Or should funds go to bureaucrats and institutions to meet priorities selected by a slim majority of members of a few Congressional committees?

4. The fourth question is what family income levels should be assisted?

5. The fifth question is: should the government deliberately adopt a policy which diminishes the role of religion in American society against the wishes of parents, especially when other options are available?

I am struck by the "trendiness" of this debate. It seems that our society can accept only one stereotype of women at a time. In the 1950's all mothers were supposed to be at home baking cookies. In the 1980's, all mothers are supposed to have degrees in bio-chemistry; they are supposed to employed full-time from their early twenties until they retire. When they have a child they are supposed to stay with the child for a few weeks and then plunk it in a day-care center for forty or more hours per week, and get back to things that are really important.

But most mothers today don't fit this stereotype--- nor do they want to. Over eighty percent of mothers with children under 18 say they would like to be home with their children if they could afford to. By anearly two to one margin women under age 44 say that they donot regard the increased use of day-care in the United States as a good thing.

There is an underlying premise to most of this debate that it is both inevitable and desirable that within a few years some eighty to ninety percent of two year olds are going to be raised in day-care centers. I don't feel this is either inevitable or desirable, and most Americans would agree.

We need a more humane model for helping families with young children meet their needs. And we need a more humane model for helping young women integrate careers and motherhood over a life time. That model would be rooted in parental choice, and not in a one dimensional policy of subsidizing the use of day-care centers.

There is a second premise in much of this debate which is that families with young children which use day-care do so out of economic necessity, while other families have the economic luxury of having the mother stay at home to raise her infant children. This is untrue. Certainly, single working mothers with young children do use day-care out of economic necessity-- but over eighty percent of the pre-school children with employed mothers come from two-parent/two earner families. The median income of these families is around $36,000. When both the husband and wife work full-time the average family income is around $48,000.

If we compare the Smith family-- the average family where both husband and wife work-- with the Jones family representing the average traditional family where the husband is employed and the wife is not-- we get surprising results. We find that Mr. Jones' and Mr. Smith's salaries are roughly the same.

It is simply untrue to claim that families where the mother is employed are driven by overwhelming economic necessity while other families have the luxury of choice. The reality is that different families have different priorities: some families choose to increase family income through the mother's employment--others choose to make and economic sacrifice so that they can provide what they believe is the best possible care for their children, care by the mother.

If making an economic sacrifice so that a mother can remain at home to care for her own children were in some sense anti-social or reprehensible then we could understand a government policy, such as the Act for Better Childcare, which ignored these families. But the only real sin of these families is that they have not conformed to the prevailing cultural stereotype of this decade, and thus can safely be treated as if they did not exist.

Traditional families, where the father works and the mother remains out of the labor force, are among America's least affluent families. Looking at families with children under six, there are actually more traditional families with incomes less than $15,000 per year than there are families headed by employed single mothers. These low income traditional families are "America's forgotten families".

The question before this committee is what is the government going to do to assist the truck driver who is struggling to keep his head above water while supporting a wife and two infant children on $15,000 per year? According to the ABC bill, the answer is simple: nothing. Instead, this father gets to pay taxes to pay for day-care subsidies for families earning up to $48,000 per year.

If the government wishes to help families with young children, it should focus on the number one problem facing families today: over-taxation. The government used to have a policy of protecting families with children from excessive taxation recognizing that those families were literally building America's future. But that policy is long gone.

In 1948, a family of four at median family income paid 2 percent of its income to the federal government in taxes--today that same family pays roughly 24 percent. Even low income families don't escape. Our truck driver struggling to support a wife and two infant children on $15,000 per year pays a whopping $2,600 in federal taxes. Often the government follows the enlightened policy of taxing families back into poverty. In far too many cases this excessive taxation means that mothers are forced into the work force to compensate for the loss of family income when they would prefer to remain at home to care for their infant children.

Senator Domenici and Vice President Bush among others have offered strong policies of tax relief for working class families with children. This tax relief would be focused on families with young children first because they generally face the greatest financial pressure, as the family must either forgo the mother's salary while she is busy at the vitally important job of raising infant children, or they will face day-care costs.

Vice President Bush has proposed a $1,000 tax cut to parents for each child under age four and cash supports through an expanded earned income tax credit for very low income families who pay little or no taxes. The tax cuts would first be directed to families earning less than $20,000 per year, but would be expanded to cover higher income families as soon as this becomes financially feasible.

Bush recognizes that the key to helping families with young children is to reduce the present tax assault on the family's weekly pay check. Parents would be free to use the income from the Bush tax cuts to meet family priorities which they, not the government, determine. The funds could be used: to pay for more and better day-care; to enable the mother to work less and be with her children more; or simply to help meet the grocery bill.

By contrast, the Act for Better Child Care (ABC), endorsed by Governor Dukakis, would spend $12 billion over four years to enlarge the government day care industry. The plan would assist only those parents who hire others to care for their children in formal day-care institutions.

But few families actually use professional day-care. Over half of pre-schoolers are still cared for by parents at home. Even among families where the mother is employed, ABC would aid few. Nearly a quarter of pre-school children are cared for by grandparents or other adult relatives while the mother works. Another 20 percent are cared for by small, informal neighborhood providers offering good quality familial care. Another 5 percent of pre-school children are cared for in actively religious day care centers and for-profit day centers which would receive no direct subsidies under ABC. Overall, less than one pre-school child in 20 would receive support under ABC--a fact that demonstrates its origins as special interest legislation to benefit segments of the child development community rather than American parents and children.

While the Bush family tax credit proposal targets its initial tax relief solely at low income families, the ABC plan is "Robin Hood in reverse", taking from the poor to give to the rich. Under ABC, a family earning $13,000 a year where the mother is not employed is actually taxed to subsidize the day-care of families earning up to $48,000.

ABC advocates charge that tax relief proposals fail to address the "day-care shortage" which ABC would solve by building a vast network of government day-care centers. There is some kind of semi-magical belief here that one dollar given to a parent who then pays it to a day-care center will not cause an expansion of day-care supply-- but one dollar given as a bureaucratic subsidy directly from the government to a center will cause an expansion of supply. The opposite is more likely to be true.

But there is simply no evidence that there is a current physical shortage of day-care facilities-- or that there is a chronic economic bottleneck preventing an expanding supply of day-care. Advocates have been crying wolf on this issue for years, but the simple fact is that the number of slots in day-care centers has more than doubled in the last ten years. The constant dollar cost of care in day-care centers has not increased; this fact provides the clearest evidence that there are no economic constraints leading to an inelastic long run supply curve.

Some day-care centers have waiting lists, but there many other centers in the same communities with vacancies. I have talked to day-care operators all across the country and everyone of them has told me that they either have vacancies or that they can readily expand operations to meet increases in demand. Centers with waiting lists are generally those providing subsidized care at below market rates, a practice which will make waiting lists inevitable regardless of supply elsewhere in the industry.

Conservatives and liberals also part company on the question of who should regulate day-care centers. Conservatives believe that the states are best equipped for this task. Liberals, on the other hand, believe that when it comes grade schools states should be entrusted with setting child/staff ratios, teacher standards, etc. But when it comes to day-care only the federal government can be the regulator.

I can think of no better evidence of why the federal government should not regulate day-care than the ABC bill itself.

There is a delicate trade-off between increasing day-care standards and decreasing supply by making day-care operations unaffordable. The ABC proponents have addressed this trade-off with great simplicity: they have ignored it. In the six months or so this bill has been around they have not produced one study of how ABC's proposed regulations would affect supply. This cavalier and irresponsible attitude is to me the clearest evidence why we should continue to let state legislatures take the lead in wrestling with this issue.

The one study we do have, by the published in Childcare Review, shows what any freshman student in economics should be able to tell you, ie., that states with more stringent day-care regulation tend to have less day-care. This study also found that the proposed ABC regulations would eliminate over 800,000 day-care slots nationwide and cause nearly 13,000 private sector day-care centers to close. In Texas, for example, 270,000 slots would be lost and 3,000 centers would close. The attached chart shows the clear relationship stringency of day-care regulations in a state and the supply of day-care.

Another extremely objectionable aspect of the ABC bill is its discrimination against pro-religious day-care centers. I do not believe that we should have a policy which would deliberately diminish the influence of religion on America's young people, especially when there are other non-discriminatory alternatives available-- but that is what ABC does. Under ABC a day-care center which actively sought to provide religious values to young children through bible stories, prayers, songs and other activities would be barred from receiving funds. These centers would either be forced to purge the religious content from their programs or they would forced to compete without subsidies against heavily subsidized secular centers and would thus be driven out of much of the day-care market. Many of these centers, even if they did not take one dime of federal money, would be forced to comply with federal standards which would among other things control their staff selection, forcing them to replace a director with a degree in Christian Education with one with a degree in child development, for example. These regulations would also raise the costs of day-care in the religious centers driving many out of business.

This would be a tragedy especially in the inner city where many parents would prefer to have their children raised in a religious environment. If we look at black male teenagers in the inner city today, comparing those teenagers who have religious values with those who do not, we find that: teenagers with religious values are: 40% less inclined to drop out of school; 50% less inclined to abuse alcohol; and 50% less inclined to engage in criminal activities.

I would challenge this committee to come up with one government program or a combination of a hundred government programs which is as effective as the church in helping the poor to help themselves. But the ABC plan would deliberately make it difficult if not impossible for poor parents to put their children in a religious day-care setting if they so wished. Under the tax credit policy, on the other hand, any parent who wished to use the funds to pay for religious day-care would be free to do so.

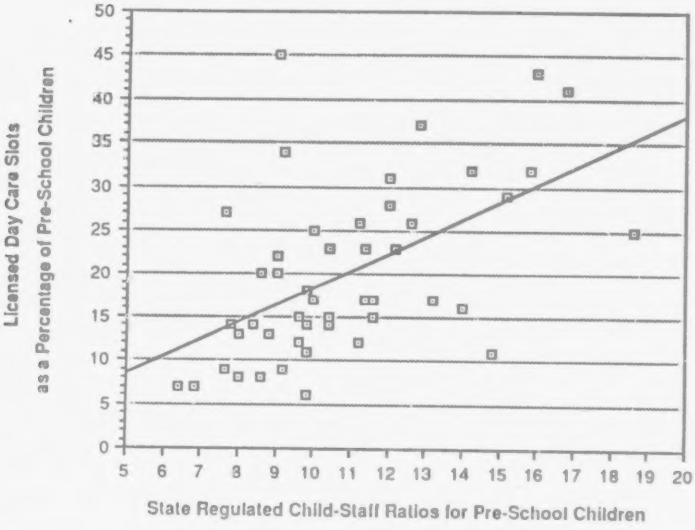
I think the following analogy contrasts the conservative and liberal approaches to policies for families with young children. Suppose the government wanted to help parents feed their children. On the one hand, it could offer families greater income through tax cuts and cash payments to very low income families through an expanded earned income tax credit. On the other hand, the government could set up government restaurant or heavily subsidize a non-profit restaurant in selected communities.

The government restaurant could provide "HUD burgers" to the public. If the "HUD burgers" were free or their price was heavily subsidized, families would use the restaurant and there would even be waiting lines. In this situation we would expect to the advocates from the "HUD burger" industry to show up in Washington claiming that the waiting lists at the government restaurant showed a pent up public demand for "HUD burgers" which was not being satisfied. I suppose one could even whip up a media campaign on the "HUD burger crisis".

And the advocates would tell us that the only way to help parents feed their children was to get more money and go out and build more government restaurants. None of this, of course would show that parents actually preferred government cuisine, or that this rather stupid policy was an efficient or fair approach to helping families feed themselves.

The same is true for day-care. The best way to help parents meet the problems of childcare is to stop taking so much of their hard earned money away in taxes. Parents would then be free to use their own money to care for their children in ways which they-- not the lobbying interests in Washington-- actually prefer. They could use the money to help themselves stay afloat financially while the mother remained at home with her young children. Or, if they wished to use the money to pay for day-care they would be able to choose from a wide range of options excluded by the big brother/HUD burger approach of the ABC bill. Parents-- not bureaucrats-- should determine how their children should be raised.

Effect of Lower Child-Staff Ratios on Day Care Availability



The graph shows the relationship between the strictness of state day-care regulations and the availability of licensed day-care within a state. The X-axis represents the average staff-child ratio for children aged one to five established by existing regulation within each state. The Y-axis represents the number of licensed day-care slots within a state as a percentage of the number of pre-school children within that state.

Each dot on graph represents the day-care situation within a particular state. The line on the graph was calculated by linear regression. It represents the average mathamatical relationship between the child-staff ratio mandated by regulations within a state and the number of day-care slots available as a percentage of state's total pre-school population.

This inter-state comparison clearly shows that, on average, those states which require low child-staff ratios in day-care centers have markedly less day-care available to their populations than do states with less rigorous regulation. The provisions of the ABC bill forcing many states to reduce staff-child ratios in day-care centers will diminish the amount of licensed day-care in those states.

Data used in the graph were derived from "Are State Standards Too High for Child Care?" in Child Care Review, April 1987.

The Heritage Foundation

April 6, 1988

THE AMERICAN FAMILY AND DAY-CARE

INTRODUCTION

Congress has found yet another "crisis" to solve. This time Congress contends that there is a critical shortage of day-care in the United States. To deal with this, Senator Christopher J. Dodd, a Connecticut Democrat, and Congressman Dale Kildee, a Michigan Democrat, have fashioned what they call the "Act for Better Child Care" or ABC bill (S. 1886 and H.R. 3660).

There is no clear evidence, however, that the premise of these bills is correct. To the contrary, there is no persistent shortage of day-care in the U.S. Day-care is one of the most rapidly growing industries in the economy. Over the last 25 years, the number of spaces for children in day-care centers has expanded at a rate of nearly 10 percent per annum. Occasional shortages are due largely to excessive regulation, not a lack of willing providers. By demanding stricter federal regulation, the Dodd-Kildee bill would reduce rather than expand the supply of day-care. The ABC bill would help bureaucrats and social service providers far more than families. The bill would provide day-care assistance to only one young child in ten. A majority of children under age five do not have mothers who are employed and therefore do not need day-care. And because the Dodd-Kildee proposals cover only "licensed" day-care providers, some 90 percent of providers would be ineligible for funding; three-quarters of the young children receiving day-care would be excluded from assistance.

Robbing the Poor. The ABC bill promotes a policy of "Robin Hood in reverse," taxing hard-pressed traditional single-earner families to provide subsidized day-care for affluent professional couples. Over 80 percent of young children using day-care come from affluent two-parent/two-earner families. The median income for these families is nearly 50 percent higher than for two-parent/single-earner families. These single-earner families would not benefit from ABC, but would pay higher taxes to fund the program.

Families with young children of course, do face a serious problem. This problem is not a lack of professional day-care but an erosion of family income due to a tax code that is increasingly biased against dependent children. A genuine pro-children policy would focus on providing tax relief to families, rather than taxing them to provide subsidized day-care services to generally more affluent parents.

The "toddler tax credit" legislation soon to be introduced by Representative Richard Schulze, the Pennsylvania Republican, would be a step toward this goal. This legislation would provide a $750 tax cut to families for each child under age six and provide cash payments to low income working families who pay little taxes through an expansion of the earned income tax credit. Families would be free to use the added income for any purpose, including day-care. The ABC bill discriminates against families in which the mother, often at considerable financial sacrifice, remains at home to care for her own young children. The Schulze bill, on the other hand, provides equal help to all working families with young children.

DAY-CARE IN AMERICA

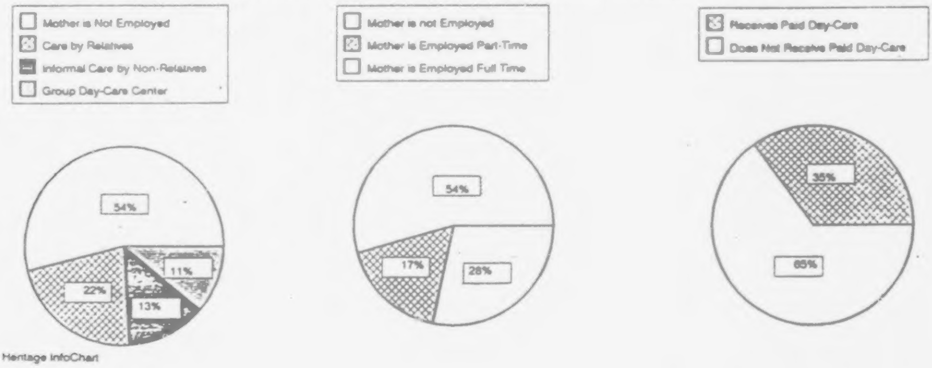
Proponents of the "day-care crisis" thesis maintain that traditional child rearing is a thing of the past and that nearly all mothers with young children are in the work force or soon will be. Thus, the argument goes, a massive increase in day-care services is needed and only the federal government is capable of financing it.

The facts speak otherwise. According to *Who's Minding the Kids?*, a 1987 Census Bureau report, only 45 percent of children under five have mothers in the work force.[1] Fewer than one child in three has a mother employed full-time, and fewer than one in five has a mother employed full-time throughout the year.[2] Even when the mother is employed, many families prefer to have the child cared for by grandparents, or other adult family members, rather than professional day-care providers. Nearly half of the young children whose mothers are employed are cared for by adult family members or relatives.

Refuting Conventional Wisdom. Thus far from being widespread, paid professional day-care of the kind envisioned in the Dodd-Kildee bill is used by only a small minority of American families. Overall, only one young child in three in the U.S. receives any form of paid day-care. No more than one in ten attends professional day-care centers of the sort that would be subsidized in the Dodd-Kildee bill.[3] (See appendix for further information on child care and children.)

Conventional wisdom presumes that those using day-care generally are hard-pressed, low-income families. Again the facts speak otherwise. Some 83 percent of children under five in day-care are from two-parent/two-earner families.[4] The median income for such families in the U.S. is $38,346. The median income of a traditional two-parent family with one earner, on the other hand, is $25,803.[5] Not surprisingly, most of the benefits of the existing dependent care tax credit go to families with incomes over $30,000 per year.[6] In addition, when lower income families use day-care, normally they do not use professional group care facilities of the kind that would be subsidized in the ABC bill. They are more likely to use care by a relative or neighbor. Mothers in professional jobs are about three times more likely to put their children in professional group care than are mothers in blue collar or service worker jobs.[7]

PATTERNS OF CHILDCARE FOR CHILDREN UNDER FIVE



Source: See Appendix.

The Alleged Shortage of Day-Care

Another common myth about day-care is that providers are in chronically short supply. Allegedly there is a "market-failure" that prevents day-care from expanding to meet increases in demand. The fact is there is no evidence of economic bottlenecks in day-care supply. On the contrary, day-care is one of the fastest growing sectors in the economy.

Between 1960 and 1986, the number of children in formal group care centers skyrocketed by 1,500 percent from 141,000 to 2.1 million. The number of centers grew from 4,400 to 39,929. There are at least another 1.65 million unlicensed neighborhood day-care providers.[8]

Confirming that there is no material shortage of day-care is the price of that service. Were there shortages and constraints in the supply of day-care, prices would increase sharply. But in general the cost of day-care, measured in constant dollars, has stayed relatively unchanged for the past decade. While the cost of hiring a full-time sitter to care for a child in one's home has increased, the costs of "family day-care" providers and group care centers have remained constant or increased only slightly in real terms over the last ten years.[9]

Day-Care and Regulation

In the face of the hard evidence, why is there a perceived shortage of day care? For one thing, many day-care providers are subsidized or non-profit and charge less than the average market rate for their services. A great number of parents predictably seek the lower-priced services. The result: waiting lists.

For another thing, government regulation often prevents providers from serving parents. All states, for instance, require large-scale group day-care centers to be licensed. This may seem reasonable. But more than half of the states also regulate small neighborhood or what is known as "family day-care" providers caring for five children or fewer. In some states, if an adult cares for even one unrelated child outside the child's home the adult is judged to be operating a "day-care facility" and must obtain a license.[10]

Restricting Supply. In theory, these regulations are meant to protect children. In practice, they often are the product of an arbitrary bureaucracy and have little or nothing to do with the quality or safety of day-care. The major effect of zoning codes, building, and health regulations is, in many cases, to restrict supply. Most Americans would presume that a house or an apartment judged safe enough for a family to live in ought to be deemed suitable for a small day-care facility caring for five children or fewer.[11] But local regulators disagree. Often, building codes designed for restaurants and orphanages are applied to small neighborhood family day-care providers, forcing expensive structural changes that make it uneconomic to provide day-care services.

In Texas, for instance, neighborhood providers can be required to install three stainless-steel sinks and a vent over the stove. In California, family day-care homes have been required to install sprinkler systems and fire-retardant walls; one woman, seeking to expand enrollment in her six-child day-care home, was told that she would have to install separate bathrooms for boys and girls. And the bathrooms would have to be made large enough to accommodate wheelchairs.[12]

In state after state, day-care providers have been cited for absurd or bizarre regulatory abuses. Among them:

- During the licensing process, one day-care provider was asked to assess the center's "vulnerability to terrorist attacks."
- A center was required to develop "lesson plans" for toddlers, detailing all activities for the entire day in ten-minute intervals.
- Following an inspection, one provider received a state reprimand form stipulating that "all dolls should be clothed during business hours."
- In an annual licensing examination, a fire inspector required one day-care provider to rehang a door to open outward. The

next year, another inspector required that the door open inward. In the third year, yet another inspector demanded that the door be rehung to open outward. Complying with each demand, of course, required expensive carpentry.

◆ A building inspector required a day-care center to erect a six-feet high, 900-feet-long fence around its property to protect the children. Later that year, another inspector demanded that the fence be lowered to four feet to make the environment more "home-like."[13]

Preferring Neighborhood Women. In the face of such costly and arbitrary red tape, most family day-care providers take the simplest course: they operate without a license in the so-called underground market. The result: as many as 95 percent of the nation's 1.75 million neighborhood providers are unlicensed and unregulated.[14] Moreover, unlicensed day-care provided by women well known within their neighborhoods often is preferred by parents because it is less impersonal, less expensive, and more convenient.

Advocates of institutional care for years have argued that unlicensed neighborhood providers are unsafe and need stricter government regulation. Yet there is no systematic evidence that day-care by unlicensed providers is in general less safe and less healthy than care in large regulated day-care centers. Indeed, the evidence suggests the opposite. Nationally publicized cases of alleged sexual abuse in day-care, such as those involving the West Point Daycare Center and the McMartin School in California, have occurred in large fully regulated day-care centers. The National Child Care study shows that smaller "family day-care" providers are more attentive to children's emotional needs than are larger group centers.

The most significant threat to the health of young children in day-care is the spread of contagious diseases. Smaller, generally unlicensed, neighborhood facilities pose less threat than do large, regulated facilities. Dr. Stephen Hadler of the Centers for Disease Control explains that larger centers place more children in contact with each other, thereby increasing the chances of contracting serious infectious diseases. Says Hadler: "The larger the center or the longer the hours, the greater the chance [of infectious disease occurring]."[15]

Undermining Children's Health. Research on day-care and disease suggests that children under age two should be placed in facilities caring for six or fewer children. Policies as those proposed in the ABC bill, which would tighten the net of day-care regulations, driving many small scale providers out of business, and which would subsidize primarily large professional day-care centers, would undermine the health of American children.

State governments, of course, have responsibilities regarding day-care. State legislators for example, should work to ensure that persons who pose health risks to children and persons with criminal backgrounds are barred from day-care. And state lawmakers should prune the current thicket of unnecessary regulations imposed on day-care providers. However, adding a new layer of federal day-care regulations to existing state and local rules, as proposed by the ABC bill, is unnecessary and counterproductive.

PROVISIONS OF THE ABC BILL

The ABC bill runs counter to day-care experience and evidence. The objectives of the proposal are to reduce the cost of day-care, to raise the pay of day-care workers, to improve quality, and to expand supply. In reality, the bill would reduce day-care supply and quality while raising its price, and provide subsidies to those who need them least.

The bill authorizes $2.5 billion in new federal day-care spending. Even its proponents admit this is merely a tip of a future iceberg of government day-care spending. Dr. Edward F. Zigler, of the Yale University Bush Center in Child Development and Social Policy, one of the nation's most eminent authorities on pre-school programs, estimates that a comprehensive program of quality professional child care would cost between $75 billion and $100 billion a year.[16]

Swallowing $2.5 Billion. Rather than giving the $2.5 billion directly to needy families, enabling them to purchase day-care, the ABC bill proposes a "trickle-down" strategy, filtering the funds through multiple layers of expensive federal and state bureaucracy in order ultimately to subsidize government-selected day-care centers at the local level. Even when the funds actually reach local day-care centers, there is nothing to prevent them from being swallowed up by increased salaries and supervisory costs.

At the federal level, the bill would create a "National Advisory Committee on Child Care Standards" and an "Office of the Administrator of Child Care" in the Department of Health and Human Services. A new bureaucracy would allocate monies among states, monitor and approve state "comprehensive day-care plans," and enforce extensive new federal regulations. At the state level, an array of governmental and quasi-governmental organizations would be created and sustained by taxpayer funds. These would include 100 permanent day-care commissions mandated in the legislation, new day-care planning offices, day-care referral agencies, day-care inspectors and regulators, and a new national network of training centers for day-care providers.

To be eligible for funding, each state would have to comply with new federal regulations and provide 20 percent matching funds. States would not be required to provide federal funds to all day-care providers, only to selected institutions. Which organizations receive such aid surely will be determined in great part by local bureaucratic politics.

A New Federal Regulatory Empire

The bill would set "minimum" federal standards and regulations in day-care. Each state accepting ABC funds would be required to enforce these federal regulations. The state would be allowed to retain its own regulations only to the extent that they were more stringent than the corresponding federal standards. Each state, moreover, would be required to hold all its day-care providers to federal standards, not simply those receiving federal funds. Thus the bill would attempt to bring all 1.65 million informal, unlicensed neighborhood providers, as well as the nearly 40,000 group care centers, under federal control.

Boosting Costs Per Child. All day-care personnel, including neighborhood providers, would be forced to receive at least two days "training" each year in government-authorized training centers. All states would have to set maximum child/staff ratios for group care centers equal to the current nationwide median child/staff standards. Thus in half of the states, day-care centers would be required to raise existing staff levels, immediately sharply boosting cost per child enrolled.

"Minimum" federal day-care standards also would be developed by the new National Advisory Committee on Child Care Standards. Two-thirds of the members of this body would be selected by Congress and one-third by the President. These minimum standards would establish additional child/staff ratio requirements, more stringent educational and training qualifications for all day-care workers nationwide, and additional health and building safety regulations. The Committee also could establish federal curriculum requirements for day-care, although the bill does not require that it do so.[17]

THE LIKELY EFFECTS OF ABC

An obvious solution to alleged day-care shortages would be to give families money to purchase more or better quality day-care for their children. Day-care providers then could respond to increased demand by expanding and improving their services. Parents would be free to choose the day-care providers who best met family needs.

Instead of this, the Dodd-Kildee bill would fund bureaucrats and day-care professionals rather than families. Yet bitter experience demonstrates that bureaucratic subsidization of services is the least efficient means of meeting public needs. Example: Public housing units cost 40 percent more to construct than comparable private sector units and often begin to fall apart within a few months after completion.

While the ABC bill contains a minor provision allowing states to provide day-care vouchers, which would stimulate consumer choice, no state is required to provide vouchers. Vouchers are mentioned in only two paragraphs of the 63-page bill. In practice, little if any of the ABC funding would reach parents in the form of vouchers.

Why does the ABC bill fund institutions rather than parents? The answer makes sense only in Washington's hothouse world of making policy. Parents have no clout on Capitol Hill; by contrast, those who would be funded by the Dodd-Kildee legislation – bureaucrats, planners, consultants, regulators, trainers, and state service providers – are represented on Capitol Hill by a well-organized army of lobbyists.

Cost, Quality, and Supply

Total nationwide spending on day-care, both public and private, is about $15 billion per year. The ABC would increase this spending by about 20 percent. But because of its increased regulation and "trickle-down" funding, the ABC bill is likely to raise costs and restrict the supply of day-care rather than increase it, at least among licensed providers.

Nor is it likely that the regulations will raise the quality of care. Higher staff/child ratios would raise costs dramatically. But the 1979 National Day-care Study commissioned by the Department of Health, Education and Welfare found very little correlation between staff/child ratios and quality.[18] Operators of day-care centers in California point out that state credentialing rules, requiring day-care workers to have completed college course work in child development, significantly raise salary costs while barring many competent and caring persons from employment – nearly all mothers and grandmothers are deemed unfit to work in day-care centers.

Benefits Few Children

The 54 percent of children under five whose mothers do not work would receive no benefits from the Dodd-Kildee proposal. Even among those children who receive day-care, only a small number would receive assistance through ABC. Funds that trickled down through the bureaucratic labyrinth would be channeled primarily toward professional group care centers. Children who receive care from relatives or from the millions of unlicensed neighborhood providers would be ineligible for assistance; together these two groups comprise roughly 75 percent of all young children in day-care.[19] Overall, no more than one young child in ten would be likely to receive subsidized care under the ABC plan.

Reverse Robin Hood

The Dodd-Kildee bill would take from the poor to give to the wealthy. Over 80 percent of day-care users are two-parent/two-earner families. Two-parent/two-earner families have a median income which is nearly 50 percent higher than the income of traditional two-parent/single-earner families. Under ABC, traditional two-parent/single-earner families would be taxed to provide day-care subsidies for more affluent families with two earners.

Though children of needy single working mothers also would receive subsidized care, they are only a small percentage of the children using day-care. Moreover, the median income of single mothers who work full time is $21,958 per annum. After adjustment for differences in family size, this is only slightly less than the median income of two parent/single-earner families, which would receive no benefits.

True, the ABC bill does attempt to ensure that subsidized care goes only to families with incomes below 115 percent of the state median for families of comparable size. But such a limit would include many families with high incomes. In California, for instance, a family of four with an income of $41,656 would be eligible; in Maryland the limit would be $46,063; in New Jersey, $46,929. Moreover, two-earner families with incomes above the 115 percent threshold already receive billions of dollars in day-care subsidies through the current day-care tax credit.

While ABC proponents make pronouncements about aiding low income families, the bill would not require that any specific percentage of its funds to be targeted to low income families. The bill does not even require states to report the portion of ABC funds that actually reach low income beneficiaries.

The Assault on Religion

Section 20 of the bill states that a day-dare center in a religious institution which receives any ABC funding, either directly or through vouchers, is prohibited from providing any religious influence on the children in its care. This means that children could not say grace over their milk and cookies. In any room used for day-care within such an institution, religious pictures and images would have to be turned to the wall or covered with sheets to hide them from children's eyes. Any teacher or teacher's aide at a religious school would be barred from working in or assisting on an unpaid basis in a care center located in the school. Religious day-care centers receiving funds would be barred from favoring members of their own faith when hiring child-care workers. And all religious day-care centers, even those which refused federal funding, would be subject to federal regulations concerning the educational and professional qualifications of day-care staff, child/staff ratios, and possibly curriculum.

The effect of these provisions would be to "sanitize" church-run day-care centers of their religious content. Centers that refused to be fully secularized would be denied federal assistance, and thus placed at a substantial economic disadvantage and forced to play a gradually smaller role in the child care market.

Heavy Tax Burden. The long run picture is even worse. The backers of ABC explicitly envision government-subsidized day-care as the principal form of child care in the near future. Parents who wished their children to be raised in a religious environment would be barred from government assistance while being forced to bear a heavy tax burden to support a nationwide system of secularized day-care of the children of other parents.

Even if the extremely offensive provisions of section 20 were struck from the bill, the impact would differ little, since federal programs must comply with the prevailing Supreme Court view of the separation of church and state. According to this view, restrictions on religious activity are inherently linked to any federal subsidy. Example: The Department of Housing and Urban Development recently barred religious services in Salvation Army shelters for the homeless which received partial HUD funding. Similar restrictions have not yet been imposed on religious institutions receiving Head Start and Title XX day-care funds only because no litigation has yet been instituted. With the massive funding available under ABC, cases would not be long in coming.

Any program of direct subsidization of day-care, or even the provision of day-care vouchers, ultimately will restrict the activities of religious day-care centers. Such a program will tend to force religious institutions to abandon the day-care field by placing them at an economic disadvantage.

Penalizing the Inner City. Church-run centers in the inner city would be the greatest victims of this no-religion policy, an ironic result given Dodd-Kildee's professed aim of helping the poor. While early childhood development strategies touted in the ABC plan are seldom of enduring benefit to disadvantaged children, religious institutions and the strong moral values they inculcate have an unchallengeable record in helping inner city youth escape from drug addiction, illiteracy, and poverty.[20]

REDEFINING THE DAY-CARE ISSUE

Even if the Dodd-Kildee proposal worked exactly as its proponents contend, it still would be bad public policy. Families with young children currently use four different methods to care for their children: care by the mother; care by relatives; care by informal neighborhood providers; and care in professional group care facilities. Toward these four, government policy should take a neutral position, allowing parents to choose the approach they prefer. Uncle Sam should not subsidize one mode of child-care to the detriment of the others. In particular, policy should not discriminate economically against families in which a child is cared for by its mother or relatives.[21]

Federal policy already discriminates against traditional families where the mother is not employed; ABC would introduce further discrimination. Through tax credits and direct outlays, the federal government provides between $5 billion and $6 billion in financial support to families with children using day-care. Nearly 40 percent of the cost of day-care nationwide is financed by the federal government.[22] ABC would provide an additional $2.5 billion in federal spending plus a half billion dollars in matching state funds. The federal government already provides roughly twice as much financial assistance to each young child in a two-parent family using day-care, through tax exemptions and credits, as it does to a young child in a traditional two-parent family where the mother remains at home — despite the fact that traditional families in general have lower incomes.[23] If the ABC bill passed, this ratio would rise to three to one.

The Real Problem: Families are Over-taxed

American families do face significant policy-related problems in trying to raise their children. The most important problem is a tax code biased strongly against children. In 1948, a family of four at the median income level would have paid 1 percent of its income to the federal government; in 1984, the same family would have had to pay 17.5 percent. Eugene Steuerle, a Treasury Department tax specialist, notes that between 1960 and 1984 the average tax rate for single persons and married couples with no children did not increase, but for a married couple with two children it climbed 43 percent; for a family with four children, tax-rates increased 233 percent.[24]

The major cause of this growing anti-family distortion of the tax code has been the eroding value of the personal exemption. In 1948, a personal exemption of $600 equalled 42 percent of average personal, per capita income, which was then $1,434. Over the following 35 years, the personal exemption lagged far behind as incomes rose and inflation soared. While the 1986 tax reform is raising the value of the exemption to $2,000, this only partially offsets the erosion suffered since the 1940s. To have the same value relative to income it held in 1948, today's personal exemption would have to be raised to $6,468. Many women with young children now enter the work force when they would prefer not to because their family income has been eroded by excessive taxation.

CRAFTING A PRO-FAMILY POLICY

A policy designed to support the American family would begin not by subsidizing families that use professional day-care while further taxing families that choose other child care methods. Instead, policy would reduce the present oppressive tax burden on families with children. Such a policy would be based on six principles:

1) **Tax relief or financial support for all families with young children.** This policy would not discriminate economically against families where the mother remains home to care for her own children. Families where children are cared for by a mother, a grandmother, or a day-care center should all be treated equally.

2) **Financial resources directly for families with children** instead of funding for bureaucrats and social service professionals.

3) **Tax reduction for middle income families and grants for lower income families** who pay little or no taxes. Any grant system must foster self-support rather than dependency.

4) **Use of the added income in any manner chosen by the family.** This could be to offset the loss of income when a mother stays at home, to allow a mother to work less, or to pay for additional day-care.

5) **No federal regulation of day-care** and no restrictions on the type of day-care that the family could purchase with the tax rebates or funds provided. Funds could be used for day-care by a relative, an unlicensed neighborhood provider, or a professional day-care center.

6) **The greatest relative support for working class and low-income families.**

The starting point of a pro-family policy would be to restore the value of the personal exemption for young children back to the relative level that existed in the 1950s. Low income, working families with children, currently paying little or no taxes, would receive cash assistance through an expansion of the Earned Income Tax Credit. The EITC is a wage supplement which pays benefits as a fixed percentage of earned income. In traditional welfare programs, benefits are linked to negative behaviors, such as out-of-wedlock births, prolonged unemployment, and marital disintegration. The EITC operates in the opposite manner: it rewards socially constructive behavior, promoting responsibility, work, and family stability. Only individuals who work receive EITC payments. In traditional welfare programs, the more an individual works, the more his benefits are reduced. With the EITC, benefits are increased the more the recipient works.[25]

The Toddler Tax Credit

Pro-family principles are embodied in the "toddler tax credit" soon to be introduced in the House by Representative Schulze of Pennsylvania. His bill would provide a $750 direct tax credit to families for each child under six; this is roughly equivalent to raising the personal exemption for young children to $6,000.[26] In addition, the Earned Income Tax Credit would be expanded for low income families with young children.

The Schulze bill would:

1) **Provide families with incomes over $13,000 a tax credit of $750** for each child under age six to be applied against federal income and social security taxes. If the value of total tax credits exceeded tax liabilities, the balance would be refunded in cash.

2) **Provide families with incomes below $8,000 per annum** a cash refundable "earned income tax credit for young children" (EITC/YC). This EITC/YC would provide a wage supplement of $15 for each $100 earned by the parent for the first child under age six in the family. For each additional child under age six in the family, a wage supplement of $10 for each $100 earned would be paid. Thus a family with two young children earning $8,000 would receive $2,000.

3) **Reduce for families with incomes between $8,000 and $13,000** the EITC/YC rate incrementally from 15 percent for the first child under six and 10 percent for each additional child to 5.75 percent per child.

4) **Replace the existing dependent care tax credit** for children under six with the "toddler tax credit." For children over six the existing dependent care credit would be continued.

5) **Limit eligibility for the EITC/YC to families with working parents.** Families in the Aid to Families with Dependent Children program would not be eligible for the EITC/YC. AFDC families would continue to be eligible for direct government payments for day-care up to $160 per child per month.

Approximately 18 million young children would be eligible for tax relief or cash assistance under the Schulze bill. The program would be phased in over a five-year period. During the first three years, federal outlays under the Schulze plan would be about $300 million per annum compared to $2.5 billion under the ABC plan. The Schulze plan would provide approximately $2.2 billion per annum in tax cuts for families with young children during the first three years. By the fifth year, tax relief for American families under the Schulze proposal would exceed $7 billion per annum. After the fifth year both the tax credit and the income levels used in determining the EITC/YC payments would be indexed against inflation. Overall, the policy would help remove the anti-child bias in the tax code.

CONCLUSION

Most women will spend many years in the paid labor force. The choice of whether a mother, particularly a mother with young children, should or should not be employed must be made by each family. The government should not bias that choice through its outlays and tax code. The government does bias that choice as long as it taxes families in which a mother remains with her children — to provide subsidized day-care to families where the mother is employed. Similarly, in families where the mother is employed, the choice as to what type of day-care is most appropriate should be made by the family, and not by government bureaucrats.

Eliminating the Anti-Child Bias. The Dodd-Kildee ABC bill discriminates against families where the mother makes an economic sacrifice to remain at home and care for her children; by contrast, the "toddler tax credit" treats all families with young children equally. The ABC plan funds bureaucrats and social service professionals; the toddler tax credit funds families and children. The ABC bill would assist, indirectly, no more than one child in ten; the toddler tax credit would assist directly all working families with young children.

The ABC bill would create a new social welfare bureaucracy but would do little to aid families with children. A true pro-family policy would begin by eliminating the anti-family/anti-child bias that has crept into the federal tax code over the last three decades. Such a policy would strengthen families by recognizing that American parents, not federal bureaucrats, are best able to determine how money should be spent to meet their family needs.

Robert Rector
Policy Analyst

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1 Bureau of the Census, U.S. Department of Commerce, series p-70, No. 9, May 1987, *Who's Minding the Kids?* The data in this report are taken from a special census survey of childcare from December 1984 to March 1985.

2 Estimated from Douglas J. Besharov and Michelle M. Dally, "One Policy for Working Moms Won't Fit All," *The Wall Street Journal*, October 29, 1986. Besharov's figures show that no more than 70 percent of full-time employed mothers with young children work full-time year round.

3 Bureau of the Census, *op. cit.*

4 *Ibid.*

5 Douglas J. Besharov, "The ABC's of Child-care Politics," *The Wall Street Journal*, March 9, 1988.

6 Committee on Ways and Means, U.S. House of Representatives, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means* (Washington, D.C.: Government Printing Office, 1984), p. 604.

7 Bureau of the Census, *op. cit.*, p. 8.

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8 Susan Rose-Ackerman, "Unintended Consequences: Regulating the Quality of Subsidized Day-care," *Journal of Policy Analysis and Management*, Vol. 3, No. 1 (1983), p. 15. Sandra L. Hofferth and Deborah A. Phillips, "Child Care in the United States, 1970 to 1995," *Journal of Family and Marriage*, August 1987, p. 565.

9 Sandra L. Hofferth, statement before the select committee on Children, Youth and Families, July 1987, p. 9.

10 Karen Lehrman and Jana Pace, "Day-care Regulation: Serving Children or Bureaucrats?" *Cato Policy Analysis* No. 59, September 25, 1985.

11 It is important to note that for small day-care providers with gross annual revenues between $5,000 and $10,000, one or two "minor" regulatory demands can be financially ruinous.

12 Lehrman and Pace, *op. cit.*

13 From "Red Tape Blues," *Childcare Information Exchange*, September 1987.

14 Lehrman and Pace, *op. cit.*

15 Thomas E. Ricks, "Researchers Say Day-care Centers are Implicated in Spread of Disease," *The Wall Street Journal*, September 5, 1984.

16 Edward F. Zigler, "A Solution to the Nation's Child Care Crisis: The School of the Twenty-First Century." Speech presented at the tenth anniversary of the Bush Center in Child Development and Social Policy, September 18, 1987.

17 The ABC bill is structured to ratchet in future regulatory expansion. In one bizarre provision, the bill allows states to increase day-care regulations, but once a new state regulation was in effect, the state government would be barred permanently from making it less stringent, even if the regulation exceeded federal standards and was found to be counterproductive. Similarly, once the initial federal regulations were promulgated, the Department of Health and Human Services would be barred permanently from making any regulation less severe — but the Department would be permitted, year after year, to make the standards stricter.

18 Lehrman and Pace, *op. cit.*, p. 4.

19 Bureau of the Census, *op. cit.*

20 Richard B. Freeman, "Who Escapes? The Relation of Churchgoing and Other Background Factors to the Socio-economic Performance of Black Male Youths From Inner-city Poverty Tracts," in Richard B. Freeman and Harry J. Holzer, eds., *The Black Youth Employment Crisis* (Chicago: University of Chicago Press, 1986).

21 This is especially true since there is evidence that care by a mother is best for the physical health and psychological development of small children. Young children in day-care are much more likely to contract serious infectious diseases such as hepatitis, cytomegalovirus, and haemophilus influenza type b (HIB), a bacteria that can cause pneumonia and lethal meningitis. Dr. Jay Belsky, a leading authority on child development, warns that separating an infant from its mother may cause "insecure attachment" to the mother, disrupting the child's emotional development and leading to aggressive and uncooperative behavior in later years. This does not mean that parents should rush to abandon day-care, but it does call into question any government policy that deliberately discriminates against mothers at home while subsidizing the entry of mothers with young children into the labor force. See Jay Belsky, "Infant Day Care: A Cause for Concern?" *Zero to Three*, September 1986.

22 Federal government outlays and tax expenditures on day-care are estimated to be between $5 billion and $6 billion. Total spending on day-care from public and private sources is approximately $14 billion to $15 billion. Bureau of the Census, *op. cit.*, p. 2 and unpublished HHS data.

23 Families with children in day-care benefit both from a personal exemption for each child and the dependent care tax credit. Families that do not use day-care benefit only from the personal exemption. The average value claimed for the dependent care credit is $409 per return. The tax reduction from the personal exemption is approximately $400.

24 Alan C. Carlson, "What Happened to the Family Wage?" *The Public Interest*, Spring 1986, pp. 11-12.

25 Ironically, the day-care bills (S.1678/S.1679) introduced by Senator Orrin Hatch, the Utah Republican, violate all the principles of a true pro-family policy. Senator Hatch accepts the premise that there is a critical shortage of day-care and that the proper response is bureaucratic subsidization of the industry; the Hatch proposal is basically a scaled-down version of the ABC plan. Senator Hatch would provide $875 million in subsidies to day-care centers over three years. Like the ABC bill, the Hatch plan lays the foundation for future massive government subsidization and regulation of day-care. As compensation for families that do not use day-care, the Hatch bills would offer an additional personal exemption for six months for mothers who remain at home with a new-born infant and an expanded Individual Retirement Account (IRA) for homemakers. The Hatch proposal violates the principles of a true pro-family policy in the following ways. First, rather than rectifying the existing bias in policy against traditional two-parent/single-earner families, the Hatch bills would intensify it. The assistance provided to the average family using professional day-care would be far greater than the assistance provided to the average traditional family. By establishing separate programs for families using day-care and for traditional families, the Hatch proposal invites future discrimination against traditional families. Second, while the Hatch bills do not call for federal regulation of day-care, they would promote expanded state regulation, including professional credentialling of day-care providers. Hatch funds would go only to licensed facilities; thus, as in the ABC bill, no more than one young child in ten would benefit. Third, the Hatch bills practice "Robin Hood in reverse." The bulk of benefits

would go to upper-income/two-earner families; low-income traditional families would be taxed to pay for subsidized day-care for more affluent families. When they do use day-care, low-income families are unlikely to use the professional group care centers subsidized by the Hatch plan. Fourth, a major portion of the Hatch funding goes to bureaucrats and professional service providers rather than families and children. Fifth, by subsidizing only regulated day-care centers, the Hatch plan establishes the principle that the government, rather than parents, should determine what type of care is best for children. A true pro-family policy would provided added revenue directly to families and allow them to spend it as they see fit.

26 The $750 per child tax credit is equivalent to raising the personal exemption upward by $3,000 to $5,000 depending on the family's tax bracket. Families who receive the $750 per child tax credit or EITC/YC payments would continue to be able to claim a personal exemption of $2,000 for each child as well. Thus the Schulze policy overall is roughly equivalent to raising the personal exemption to $6,000 per child for the average family.

APPENDIX
Mother's Employment and Types of Childcare for American Children

Table 1 Young Children whose Mothers are Employed by Age Group (numbers in thousands)

Age of Child	Children with Employed Mothers	Total Children In Age Group	Percent with Employed Mothers
Under Age One	1,385	3,683	37.6%
One and Two Year Olds	3,267	7,084	46.1%
Three and Four Year Olds	3,516	7,158	49.1%
Total: Under Age Five	8,168	17,925	45.5%

Table 2 Children Under Five and Mother's Employment Status (numbers in thousands)

Employment Status	Children Under Five	Percent of All Children Under Five
Mother is Not Employed	9,757	54.4%
Mother is Employed Part-time	3,108	17.3%
Mother is Employed Full-time	5,060	28.2%

ces for Tables 1 and 2: The Bureau of the Census, U.S. Dept. of Commerce, "Who's Minding the Kids?" *Household omic Studies*, Series P-70, No.9, May 1987. Data for this census report were collected through a day-care survey conducted een December 1984 and March 1985. Numbers on total children in specific age groups are for January 1985: data provided e Bureau of the Census.

Table 3 Type of Day-care Arrangement: Children Under Five

Type of Child Care	Number of Children in Each Type of Care	Total Children Under Five	Percentage of Children in Each Type of Care
Mother is not Employed: Care by Mother	9,759	17,925	54.4%
Mother is Employed: Care by Relative	3,920	17,925	21.8%
Mother is Employed: Informal Care by a Non-relative	2,298	17,925	12.8%
Mother is Employed: Care in Group Day-care Facility	1,948	17,925	10.9%

Sources: Same as Tables 1 and 2.

Jay Rockefeller

Statement for Finance Committee Hearing on the Federal Role in Child Care

September 22, 1988

Mr. Chairman, thank you for holding this hearing today. I share your concern for our nation's children and I greatly admire the leadership you have shown during conference meetings on welfare reform.

The tremendous changes that have occurred over the last decade in the make-up of America's work force has brought a very important issue to the attention of Congress -- child care. The federal government's role in child care needs to be looked at carefully and closely. That is why I welcome this hearing today. It will give us a chance to hear from the experts on how best to approach this very important issue.

We do know a little bit about the problem. For instance, we know that the percentage of mothers with children under 18 percent in the labor force has increased from 18 percent in 1950 to 64 percent in 1987. We know that slightly more than half of all children under 6 in the United States have mothers that are working. And we know that many families are finding it difficult to find affordable child care.

Unfortunately, this is all we know about child care. What we don't know is whether we have an adequate supply of child care providers. And we don't know how to make sure our children are receiving high quality child care.

In my own state of West Virginia, 14 counties have no day care centers and 20 counties have only one center. Two-thirds of the working mothers in West Virginia are either the sole wage earners or are married to men making less than $15,000 a years. Finding affordable day care is practically impossible for these families.

We must figure out a way to address the issue of child care because it's doubtful that we will ever return to the time when most mothers stayed at home. Working mothers are today's norm. Economic reality is the driving force behind the decision of many women to enter the work force. Staying at home is a luxury most families can't afford. We, therefore as a nation, must decide the best way to make sure our children are well taken care of while their parents are working.

As a conferee on the welfare reform bill, I've realized how vital adequate child care is for families struggling to get off welfare. Lack of child care is a major stumbling block to self-sufficiency. We can not expect, let alone require, women to participate in education and training programs unless we also make sure that their children are being cared for.

Recent polls have shown that most Americans think of child care as an urgent need and support some type of government action. I think their message is loud and clear. We must act. We owe it to our children and we owe it to their parents to help make child care services more available and more affordable for working families. I am a cosponsor Senator Dodd's ABC bill. I think this bill would go a long way toward helping many families obtain quality child care.

I am looking forward to hearing the witnesses here today comment on the ABC bill and the many other child care bills introduced in the 100th Congress.

only 3,500 of six million employers provide some type of child care assistance to their employees.

A number of our unions have with very limited success pursued child care at the bargaining table. The negotiating process on this issue is extremely arduous and in many cases, where the union is able to overcome employer resistance, the result has been merely an agreement to set up a joint labor-management committee to study the problem. In only rare instances does the employer actually participate in providing or financing child care services.

Current federal expenditures on child care for targeted groups -- as well as the dependent care tax credit -- are of critical importance, but have no discernible impact on improving the quality or lowering the cost of child care. Funds available to provide child care for mothers trying to work their way off the welfare rolls are seriously limited and all such assistance is eliminated completely when the mother becomes employed -- a practice that more often than not results in the family having to return to welfare. The need for a continuation of child care support until such time as the employment is stable and the wages are sufficient to carry the cost has been well documented before this committee during its deliberations on welfare reform.

The only federal program which includes money providing direct assistance to low income families for child care -- Title XX - has suffered drastic reduction and weakened standards in recent years. The allocation for the Title XX Social Service Block Grant suffered a 20% reduction in 1982. After two modest increases and adjusting for inflation the FY88 appropriation is less than half that of FY77. States are currently spending an average of only 18% of the total Title XX allocation on child care and with the poverty rate for children on the increase, twenty-two states are serving fewer poor children than they were in 1981.

The Dependent Care Tax Credit provides some much needed relief to tax paying families for the cost of child care. The majority of this relief, however, has gone to families earning over $25,000 a year. Low and moderate income families under the Tax Reform Act have no or very small tax liability and will, therefore, receive no benefit at all from the Tax Credit.

The AFL-CIO has and will continue to urge the Congress to provide child care for families working their way off welfare, adequately fund Title XX Social Services, and provide for the expansion and refundability of the Dependent Care Tax Credit. All of these improvements, however, will do little to solve the major problems of the child care dilemma or alter the fact that there is no comprehensive, quality, affordable child care system in place. The Bush tax credit proposal, for example, would alleviate the financial burden on working families only minimally, do little to increase the supply of services, and nothing at all to improve the quality or safety of child care arrangements.

In a forum open to every interested organization and individual, lengthy deliberations continuing over a year and a half and covering every aspect of the development of a sensitive human service delivery system, the Act for Better Child Care

Services (ABC) was developed. The ABC bill is sponsored by 212 members of Congress and has the support of 124 organizations including the AFL-CIO and a large number of our affiliates. We are convinced that the enactment of H.R. 3660 and S. 1885 is essential to resolving the three major problems with the current child care situation -- the availability, affordability and quality of services.

The number of existing child care service arrangements is totally inadequate to meet the need. There are about 21.6 million children under the age of six in the country today. Although more than half of them have mothers who work, licensed child care providers can provide services for only two to three million children. The long waiting lists of children for existing centers have been well documented and in most communities the limited number of centers that provide infant care can accept only one of every three babies for whom care is sought.

If enacted, S. 1885 will require the states to carry out an immediate assessment of the child care, both center and family based care, that currently exists in each community. Low interest loans and grants as well as business assistance will be made available for construction and equipment of new facilities as well as for existing centers which need to be upgraded. Money will also be made available to train personnel needed to staff centers. Systems will be put into place to help parents locate services to meet their needs. Each of these measures is essential in eliminating the barriers to increasing the supply of services.

The cost of decent child care -- if it can be found -- is beyond the reach of all but the most affluent American families. Although there are significant variations in the cost of child care based on geography, age of child, and type of care ranging anywhere from $1,500 to $10,000 per year -- the majority of parents pay about $3,000 per child per year for child care. The median earnings of all full-time wage and salary workers in 1987 was $19,396. With two children in need of day care, the cost in most cases would be nearly 30 percent of the median workers' income. The median income of all households headed by women was $13,008 in 1987. The cost of care for one child would take nearly 25 percent of their income and 50 percent if two children need care.

For the person earning the minimum wage of $6,968 a year the cost of day care for two children would be almost 100% of his or her gross income. Over one-fourth of working people are able to secure only part-time employment. Clearly, there are millions of people in this country for whom the cost of child care is simply out of reach.

The ABC bill provides that 75 percent of the funds authorized under the Act be spent on helping people pay for child care services. The sliding fee scale in the ABC bill will adequately and fairly provide the necessary financial assistance to families needing child care services.

The quality of much of the existing care ranges from barely satisfactory to life-threatening. Throughout the country, there are constant reports of children whose lives are jeopardized and sometimes lost because of unsafe child care arrangements. Given the frequency and seriousness of these incidents certainly no one can deny the need for child care providers to meet basic minimum standards.

Existing state child care standards and enforcement efforts are extremely varied -- ranging from minimal standards in some states to those that are so lax as to seriously jeopardize the physical well being of children. S.1885 requires that state and local standards be met immediately by all eligible service providers; and, within five years, they must come into compliance with national standards to be developed by the National Advisory Committee the Act would establish. The process by which the national standards will be developed involves the participation of a broad range of interests and expertise including a public review process.

To ensure the availability of qualified workers, S. 1885 will provide funds to train child care providers and encourages the states to begin to improve wages and provide fair compensation for these employees. In 1984, 90 percent of home care providers and 58 percent of center providers were paid wages less than the poverty level. Understandably, the result has been an extremely high rate of turnover and inability to attract new workers into the field.

To summarize, Mr. Chairman, the AFL-CIO feels that the Act for Better Child Care Services has all the necessary elements to begin to address the nation's current need for child care. It is carefully designed to allow the greatest flexibility, within the priorities established, to provide in-home, school, work or community-based centers which will best meet locally determined needs. Administration, operation and planning will involve a partnership of parents, the community, and state and local government. It will improve the quality, increase the supply and make child care more affordable for low - and moderate-income families.

S. 1885 and H.R. 3660 have been reported out of the Labor Committees in both bodies and are ready to be voted on in the House and Senate. We urge the members of this Committee to take an active role in bringing ABC to the floor for a favorable vote as soon as possible.

STATEMENT OF SENATOR MALCOLM WALLOP

STATEMENT FOR FINANCE COMMITTEE HEARING ON CHILDCARE

Mr. Chairman, I want to thank you for holding this hearing today on what has become the most publicized public policy issues this year, child care. At one point this summer, child care was the hot media issue -- televised and printed stories proliferated. And, legislation on child care have also proliferated. This hearing will provide an opportunity to discuss the various proposals from the perspective of who would benefit, how they would benefit, and what the cost will be.

For a long time, there was only one bill on child care before the Congress, the so-called ABC bill. The ABC bill is not under this Committee's jurisdiction, but nearly every other bill on child care is under our jurisdiction. Thus, today's hearing is important so that the issue can be fully reviewed. And, since our resources are limited, we do not have the luxury of legislating a variety of child care bills. We will have to reach a consensus on one bill, and it is obvious that it would be premature for the Senate to vote on the ABC bill or any proposal at this time.

The ABC bill has a flawed approach. One problem, which we do not need to discuss here, is the restrictions ABC would impose on religious organizations, which provide up to half of all organized child care. There are two other flaws deserving brief comment. First, the bill is directed to only a small number of the families that face child care expenses, either through the direct purchase of services or the opportunity cost foregone by one parent remaining at home. And, the bill is an open ended appropriations, so the cost could eventually be enormous.

The second problem is that the bill is another attempt by those espousing the liberal agenda to expand federal controls over our lives by requiring federal standards for child care providers. One recent study determined that the federal regulations required by the ABC bill would increase weekly child care costs for parents by almost $7 per child, or $350 per year. The cost increase reflects the higher labor costs and related business cost to child care providers as they attempt to comply with the new federal regulations. In my own State of Wyoming, the cost will go up $4.21 per week. Southern states will be particularly affected by the compliance cost. .For instance, in Texas, weekly costs per child will increase by $13.60. The increased cost in child care cost will more than offset the average ABC family child care benefit payment of $150. Rather than helping parents meet the cost of child care, the ABC bill will end up increasing their costs because of new federal controls over child care. Recently, I received a questionnaire from a national education organization which took the position that the federal government should increase both its funding and control over local school systems. Nowhere in the questionnaire was there a question on the responsibilities of local and State governments for our public schools.

This same philosophy that the federal government should ride roughshod over the States, preempting their role, is the heart of the ABC bill. It is a not so subtle attempt to reverse the Reagan philosophy that the States do matter, and that federal regulation of our lives should be minimized. This philosophy has already be affirmed in two national elections, and may very well receive a third vote of confidence this November.

There is an alternative to more federal controls and excessive federal spending. This alternative perspective is represented by the proposals on child care now pending before the Finance

Committee. Since I introduced S. 2187, a bill revising the child care tax credit, numerous alternatives and variations have been proposed. While I did sponsor the first child care bill which utilizes a tax based, freedom of choice approach, I do not claim to have put together the best proposal, and I look forward to the comments we will receive this afternoon on the issue.

I hope we will receive some constructive criticisms today on how to improve our proposals. At the end of my statement, I am including an analysis prepared by the Urban Institute of the various tax based child care reform bills. The analysis does not include all bill, since a number were introduced after the research project began

It is immediately obvious from this analysis that the legislation I have sponsored with Congressman Holloway is much more responsive to the child care needs of low income families, particularly families with one parent "employed" at home as a homemaker and female headed families than either current law or many of the other proposals.

My bill would assist 14.5 million families, and provide an average benefit, through tax credits of $283. Compared to current law, the Wallop child care tax credit is more evenly distributed among income groups. For instance, under current law, 65% of the benefits now go to families with incomes over $32,000; only four tenths of a percent go to low income families. My bill, in contrast, directs 16% of the benefits to low income families, and only 26% to upper income families. And, the biggest beneficiaries are single parent working families, the one family group which really needs federal support. The Wallop-Holloway bill is a much more equitable solution than either current law or the ABC bill. The ABC bill would assist only 700,00 children at a average benefit between $50-$150.

Our proposal has come under fierce criticisms from some groups. One such group is the Citizens for Tax Justice, a self-styled tax group dedicated to increasing income taxes, not to reduce the deficit, but to fund discredited liberal welfare programs. Their so-called analysis is a thinly veiled diatribe in favor of federal controls on child care. Contrary to the analysis by the Urban Institute, hardly a conservative organization, CTJ claims, quote, "Holloway/Wallop will disproportionately benefit wealthy families". With misrepresentations such as that, it is not surprising that this group has little credibility before this Committee.

We have to avoid the mindset that the only course of action for expanding child care resources is by enlarging our paternalistic federal government. Scott McCallum, the Lieutenant Governor of Wisconsin, has submitted interesting testimony arguing that the States and the private sector should have primary responsibility for child care services. He specifically rejects more federal controls. Instead, he has established a State program to provide technical assistance to private employers for establishing child care programs. This is the type of public and private sector cooperation we need to deal with the child care issue. And, the proposals we are reviewing today are also in this vein. I look forward to today's testimony.

The Urban Institute has undertaken an analysis of tax-based child care reform bills. While not endorsing any bill, it is obvious from their analysis that the Wallop-Holloway bill is much more responsive to the child care needs of low and moderate income families than either current law or most other proposals. My bill is particularly beneficial to families with one parent "employed at home as a homemaker, and to female-headed families, the fastest growing family group in our society.

According to the Urban Institute, my bill would assist almost fifteen million families with an average benefit of $283. The benefits are more evenly distributed across income groups than current law. The current credit gives sixty five percent of the benefits to families with income above $32,000 and only four-tenths of a percent go to low income families. My bill, in contrast, direct 16% of the benefits to low income families and only 26% to upper income families. Once again, the biggest beneficiaries are single parent working families, the one family group which really needs federal support. It appears that Wallop-Holloway is a much more equitable solution than either current law or the ABC bill. It is an approach which provides assistance directly to families, not institutions. Lets now hear what our witnesses have to say about this issue.

ADDITIONAL REMARKS BY THE HONORABLE PETE WILSON BEFORE THE SENATE COMMITTEE ON FINANCE: THE FEDERAL ROLE IN CHILD CARE AND S. 2730, THE "KIDS IN DAY-CARE SERVICES ACT"

SEPTEMBER 22, 1988

MR. CHAIRMAN, AS I HAVE STATED PREVIOUSLY, TODAY'S HEARING ON THE FEDERAL ROLE IN THE CHILD CARE ARENA IS OF GREAT IMPORTANCE TO OVER TWENTY-SIX MILLION CHILDREN AND THEIR WORKING PARENTS. IT MARKS WHAT I HOPE WILL BE THE BEGINNING OF A SERIES OF IN DEPTH ANALYSES INTO THE CHILD CARE ISSUE. AND, IN THE END, WE WILL HAVE HOPEFULLY ARRIVED AT A BIPARTISAN CONSENSUS WHICH INVOLVES BOTH THE PUBLIC AND PRIVATE SECTORS IN THE SOLUTION.

IN ANTICIPATION OF THE OUTCOME OF THIS PROCESS, I HAVE INTRODUCED LEGISLATION, S. 2730, THE "KIDS IN DAY-CARE SERVICES ACT," OR THE KIDS BILL, WHICH ADOPTS A TRULY COMPREHENSIVE APPROACH TO THE CHILD CARE PROBLEM BY COMBINING THE BEST AND LEAST CONTENTIOUS PROPOSALS WE HAVE SEEN TO DATE. IF MY COLLEAGUES WOULD INDULGE ME, I WOULD LIKE TO BRIEFLY DESCRIBE THE MAJOR PROVISIONS OF MY LEGISLATION.

I AM A FIRM BELIEVER THAT ANY CHILD CARE PROPOSAL MUST PUT THE DECISION AND THE INCENTIVE IN THE HAND THAT ROCKS THE CRADLE -- NOT IN THE BUDGET OF A GIANT NEW BUREAUCRACY.

BY CREATING A NEW REFUNDABLE "CHILDREN'S TAX CREDIT" FOR LOW AND MODEST INCOME FAMILIES, SIMILAR TO THAT PROPOSED BY THE VICE PRESIDENT, THE KIDS BILL WOULD INCREASE ACCESS TO CHILD CARE FOR MILLIONS OF AMERICAN FAMILILES WHO ARE MOST IN NEED OF CHILD CARE ASSISTANCE. MORE IMPORTANTLY, IT AFFORDS PARENTS, NOT BUREAUCRATS, CHOICE IN SELECTING THE CHILD CARE PROGRAM BEST SUITED FOR THEIR CHILDREN.

FOR THOSE FAMILIES WHO DO NOT EARN ENOUGH INCOME TO PAY TAXES, BUT FOR WHOM ACCESS TO CHILD CARE SERVICES IS EQUALLY IMPORTANT, THE KIDS BILL WOULD MAKE THE PRESENT DEPENDENT CARE TAX CREDIT REFUNDABLE.

FAMILIES, AGAIN, WOULD BE FREE TO CHOOSE THE GREATER OF THE TWO CREDITS - THE "CHILDREN'S TAX CREDIT" OR THE DEPENDENT CARE TAX CREDIT.

HOWEVER, AS WE KNOW, TO PLACE PURCHASING POWER IN THE HANDS OF FAMILIES BECOMES FUTILE IF THERE ARE FEW, OR NO, CHILD CARE SERVICES TO PURCHASE. THE FOLLOWING QUESTION THEN PRESENTS ITSELF: WHAT IS THE BEST MEANS TO INCREASE THE AVAILABILITY OF SAFE AND AFFORDABLE CHILD CARE? I BELIEVE THIS WILL BE THE MOST DIFFICULT QUESTION PRESENTED TO CONGRESS AND THE WAY IN WHICH WE ADDRESS IT WILL LARGELY DETERMINE OUR SUCCESS OR FAILURE.

TO BE SURE, THERE HAVE BEEN MANY BILLS INTRODUCED TO INCREASE THE AVAILABILITY OF OR ACCESS TO SAFE AND AFFORDABLE CHILD CARE. ALTHOUGH DIFFERENT IN APPROACH, ALL PROVIDE FOR A FEDERAL ROLE IN THE SOLUTION.

SUPPORTERS OF THE WIDELY PUBLICIZED ABC BILL ARGUE THAT THE FEDERAL GOVERNMENT SHOULD BE THE SOLE PROVIDER AND SHOULD DICTATE STANDARDS TO THE STATES. TO THE CONTRARY, I WOULD ARGUE THAT JUST AS WE HAVE ALLOWED THE STATES MAXIMUM FLEXIBILITY TO DESIGN AND OPERATE THEIR EDUCATION AND TRAINING PROGRAMS UNDER THE RECENTLY PASSED WELFARE REFORM LEGISLATION, SO MUST WE ALLOW STATES FLEXIBILITY IN DEVELOPING AND PROVIDING CHILD CARE SERVICES.

ACCORDINGLY, THE KIDS BILL WOULD EXPAND FEDERAL ASSISTANCE TO THE STATES FOR CHILD CARE PROGRAMS AND ACTIVITIES, BUT WOULD NOT DICTATE FEDERAL STANDARDS AS A CONDITION OF RECEIPT OF FUNDING. THAT DOES NOT MEAN THAT STATES WOULD NOT BE REQUIRED TO ESTABLISH THEIR OWN STANDARDS.

UNDER THE KIDS BILL, STATES WOULD BE REQUIRED TO DEVELOP ACCREDITATION AND LICENSING STANDARDS FOR FAMILY-BASED AND GROUP CHILD CARE PROVIDERS IN ADDITION TO METHODS OF INSPECTION AND CERTIFICATION BASED ON SUCH STANDARDS. MINIMUM COMPETENCY REQUIREMENTS FOR CHILD CARE WORKERS AND SUPERVISORS WOULD ALSO BE ESTABLISHED. IN ESSENCE, THE STATES, NOT UNCLE SAM, WOULD DEVELOP STANDARDS THROUGH CONSULTATION WITH PARENTS, UNITS OF LOCAL GOVERNMENT, COMMUNITY-BASED GROUPS, BUSINESS, EDUCATORS, LABOR REPRESENTATIVES AND OTHERS.

WITH TAX CREDITS FOR LOW AND MODEST INCOME FAMILIES AND STANDARDS OF CARE, THE NEXT PIECE IN THE PUZZLE IS TO INCREASE FEDERAL FUNDING TO ASSIST STATES IN THE PROVISION OF CHILD CARE SERVICES. THEREFORE, THE KIDS BILL WOULD EXPAND THE FUNDING AUTHORIZATION FOR THE DEPENDENT CARE AND DEVELOPMENT PROGRAM UNDER THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FROM $20 MILLION TO $400 MILLION. I BELIEVE THIS FUNDING LEVEL WILL SERVE AS A SUFFICIENT IMPETUS TO INCREASING CHILD CARE AVAILABILITY, WHILE REMAINING WITHIN THE BOUNDARIES OF FISCAL RESPONSIBILITY.

UNDER THE GREATLY-EXPANDED DEPENDENT CARE PROGRAM, STATES COULD PROVIDE A WIDE RANGE OF ACTIVITIES DESIGNED TO INCREASE THE AVAILABILITY OF CHILD CARE. FROM A VOUCHER OR SCHOLARSHIP PROGRAM FOR LOW INCOME FAMILIES TO AFTER-SCHOOL PROGRAMS. FROM TRAINING SENIOR CITIZENS AS CHILD CARE PROVIDERS TO ESTABLISHING AND OPERATING COMMUNITY OR NEIGHBORHOOD CHILD CARE CENTERS. A WIDE VARIETY OF ACTIVITIES WOULD BE OFFERED.

FURTHER, ANY STATE WHICH HAS ALREADY TAKEN THE INITIATIVE TO ESTABLISH CHILD CARE PROGRAMS WHICH MEET THE PURPOSE OF THE KIDS BILL WOULD BE ALLOWED TO USE FEDERAL FUNDS TO EXPAND THEIR CURRENT PROGRAMS. FOR EXAMPLE, THE STATE OF CALIFORNIA SPENDS OVER $450 MILLION ANNUALLY IN STATE FUNDS AND TAX CREDITS, PROVIDING A WIDE RANGE OF CHILD CARE PROGRAMS SIMILAR TO THOSE AUTHORIZED IN THE KIDS BILL. UNDER THE KIDS BILL, CALIFORNIA COULD UTILIZE FEDERAL FUNDING TO BUILD UPON ITS CURRENT NETWORK OF SERVICES.

I HAVE BRIEFLY DISCUSSED GOVERNMENT'S RESPONSIBILITIES IN THE CHILD CARE ARENA, BUT WHAT OF THE PRIVATE SECTOR'S INVOLVEMENT? CERTAINLY, ANY COMPREHENSIVE RESPONSE MUST INVOLVE BUSINESS.

RECENT STUDIES HAVE SHOWN THAT BUSINESS HAS BEEN SLOW TO ESTABLISH CHILD CARE FACILITIES FOR THEIR EMPLOYEES. THE SERVICES PROVIDED TO EMPLOYEES USUALLY CONSIST SOLELY OF INFORMATION AND REFERRAL SERVICES.

THOSE BUSINESSES ACROSS THE NATION THAT HAVE TAKEN THE INITIATIVE TO ESTABLISH CHILD CARE FACILITIES ARE TRULY PIONEERS. WHILE THE NUMBER OF EMPLOYER-SPONSORED CHILD CARE FACILITIES IS RISING, SUPPLY HAS NOT KEPT PACE WITH DEMAND. AFTER A REVIEW OF THE INTERNAL REVENUE CODE, ONE FINDS FEW, IF ANY, PROVISIONS WHICH PROVIDE INCENTIVE TO A CORPORATION, LET ALONE A SMALL BUSINESS WITH LIMITED CAPITAL, TO ESTABLISH AND OPERATE A CHILD CARE FACILITY.

CONSIDER THAT FACT AND EXAMINE THE ASTRONOMICAL COSTS OF LIABILITY INSURANCE, I AM SURE ANYONE WOULD BE SURPRISED TO FIND ANY EMPLOYER-SPONSORED DAY CARE FACILITIES ANYWHERE IN AMERICA. CLEARLY, IF WE ARE GOING TO MAXIMIZE ACCESS TO CHILD CARE FOR WORKING FAMILIES, WE MUST OFFER INCENTIVES AT THE WORK PLACE JUST AS WE PROVIDE TAX CREDITS TO THE INDIVIDUAL AND MATCHING GRANTS TO THE STATES.

I BELIEVE WE MUST ESPECIALLY FOCUS OUR EFFORTS UPON THE SMALL BUSINESS SECTOR OF OUR ECONOMY. IT IS HERE WHERE TOMORROW'S JOBS WILL BE CREATED. IT IS SMALL BUSINESS WHICH WILL OFFER JOB OPPORTUNITY TO THE GREAT INFLUX OF WORKING MOTHERS EXPECTED IN THE JOB MARKET BY THE YEAR 2000.

I BELIEVE WE CAN CREATE AN ENVIRONMENT IN WHICH MANY OF THE BARRIERS TO CHILD CARE CAN BE REMOVED AND THE ROAD TO EMPLOYER-SPONSORED CHILD CARE FACILITIES PAVED. FIRST, THE KIDS BILL WOULD CREATE A SMALL BUSINESS TAX CREDIT OF TWENTY-FIVE PERCENT UP TO $100,000 FOR EXPENSES RELATED TO THE ESTABLISHMENT AND OPERATION OF AN ON- OR NEAR-SITE CHILD CARE FACILITY.

SECOND, TO HELP REDUCE THE LIABILITY BARRIER WHICH IS OFTEN TIMES TOO GREAT TO OVERCOME, MY BILL WOULD, SIMILAR TO OTHER PROPOSALS, AUTHORIZE $100 MILLION IN FUNDING TO STATES TO ASSIST IN THE ESTABLISHMENT OF LIABILITY RISK RETENTION GROUPS.

OTHER PROVISIONS OF THE KIDS BILL INCLUDE THE ESTABLISHMENT OF A $25 MILLION REVOLVING LOAN FUND TO IMPROVE DAY CARE FACILITIES, A STUDY ON THE FEASIBILITY OF OFFERING CHILD CARE AS A BENEFIT TO FEDERAL EMPLOYEES, AND A COMPREHENSIVE EXAMINATION OF FEDERAL DAY CARE EFFORTS.

AND, TO ENLIST THE SUPPORT OF ONE OF THE NATION'S MOST VALUABLE RESOURCES, OUR SENIOR CITIZENS, THE KIDS BILL WOULD EXEMPT EARNINGS RECEIVED FOR THE PROVISION OF CHILD CARE UNDER THE SOCIAL SECURITY EARNINGS TEST FOR RECIPIENTS AGE 62 THROUGH 69.

FINALLY, TO ENSURE THAT FEDERAL PROGRAMS AND TAX INCENTIVES ARE DIRECTED TOWARD THOSE FAMILIES WITH THE GREATEST NEED, THE KIDS BILL WOULD GRADUALLY REDUCE THE DEPENDENT CARE TAX CREDIT FOR THOSE TAXPAYERS WHOSE ADJUSTED GROSS INCOMES EXCEED $65,000 PER YEAR, ELIMINATING THE CREDIT COMPLETELY FOR THOSE FAMILIES WITH ADJUSTED GROSS INCOMES OVER $93,000 PER YEAR.

LET ME, ONCE AGAIN, INDICATE THAT I HAVE INTRODUCED THE KIDS BILL WITH ONE PURPOSE IN MIND AND THAT IS TO PROVIDE A VEHICLE FOR COMPROMISE. I DO NOT PRETEND TO SATISFY ALL WHO HAVE BEEN INVOLVED IN THE CHILD CARE DEBATE. SIMPLY, IT IS AN ATTEMPT TO COMBINE WHAT I BELIEVE TO BE THE BEST OF ALL IN AN ECLECTIC EFFORT OF THE KIND WHICH WILL PROVIDE PROGRESS ON THE ISSUE OF CHILD CARE.

WILSON URGES FINANCE COMMITTEE TO ACT ON DAY CARE PROPOSALS: "THERE IS STILL TIME TO REACH A BIPARTISAN CONSENSUS"

FOR IMMEDIATE RELEASE
September 22, 1988

CONTACT: Lynda S. Royster
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WASHINGTON, D.C. -- California Senator Pete Wilson today urged the Finance Committee to act on pending day care legislation, saying there is still time to reach a bipartisan consensus and offering his own "KIDS" bill as an alternative.

"Over twenty-six million children and their working parents are waiting for us to act," Wilson said. "With a concerted effort at compromise, I believe we can yet agree upon the appropriate federal role in providing day care services."

On August 10, Wilson introduced his own proposal, the Kids in Day-Care Services Act (KIDS), which combines facets of plans offered by Sen. Orrin Hatch, (R-UT), Sen. Christopher Dodd (D-CT) and Vice President George Bush, as well as offering new measures to provide funds to low-income families and incentives to small businesses to provide child care services.

"I am a firm believer that child care decisions must be placed not in the hands of a giant federal bureacracy, but in the hands of those who rock the cradle," Wilson said.

Wilson's bill would:

** Offer families a choice between the current "Dependent Care Tax Credit," and a new "Children's Tax Credit." Low income families who do not pay taxes could choose to receive a direct payment in lieu of the tax credit;

** Require the states to develop standards for child care subject to certification by the federal government and provide $400 million to assist states in developing and providing child care services;

** Offer incentives to employers to provide day care through offering a small business tax credit and providing funding to states to establish liability risk retention groups;

** Exempt the earnings of senior citizens aged 62 through 69 who provide child care services from the Social Security earnings test;

** Gradually reduce the dependent care tax credit for taxpayers whose adjusted gross incomes exceed $65,000 per year, eliminating the credit completely for families earning over $93,000 per year;

** Makes minor changes in existing federal programs to encourage child care services for low and moderate income families.

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WILSON INTRODUCES $4.8 BILLION COMPROMISE CHILD CARE BILL: COMBINES BEST ELEMENTS OF OTHER PROPOSALS PLUS NEW MEASURES

FOR IMMEDIATE RELEASE
August 10, 1988

CONTACT: Bill Livingstone
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WASHINGTON -- California Senator Pete Wilson today announced details of a $4.8 billion (over four years) comprehensive child care bill that brings together the best of the existing proposals, while offering new measures to provide funds to low-income families and incentives to small business to provide child care services.

"Securing safe and affordable child care is a very real concern for the parents of 26 million children," Wilson said. "Numerous bills have been introduced, but for one reason or another they have met with controversy, precluding their passage."

Wilson said his legislation, called "Kids in Day-Care Services Act of 1988" (KIDS), is designed as a compromise bill, which incorporates the best ideas from major bills offered by Senator Orrin Hatch (R-UT), Senator Christopher Dodd (D-CT) and Vice President George Bush, such that a child care bill can be passed into law in the little time remaining before Congress adjourns.

"I don't agree with those who suggest it's better not to act on child care legislation this year," Wilson said. "By combining the best elements from Republican and Democratic bills alike, I believe Congress and the Administration can reach a bi-partisan consensus on legislation this year."

Wilson said KIDS would offer parents a choice in selecting the child care program best suited for their children.

KIDS would increase federal funding from $20 million to $400 million to states (25 percent match) under the Dependent Care Program, for planning, development, establishment and expansion or improvement of child care services.

So low-income families can take advantage of the many services that will be offered, Wilson's legislation would provide funding directly to families through the following credit programs: 1) "Dependent Care Tax Credit," and 2) "Children's Tax Credit."

The tax code currently contains the "Dependent Care Tax Credit," which allows families to deduct a percentage of their total costs for child care.

For low income families, who are too poor to have to pay any tax, KIDS would allow the families to receive a payment from the federal government equal to the tax credit they are eligible to receive.

KIDS would also create a "Children's Tax Credit," which would allow families with incomes less than $16,000 to receive $750, either through a tax credit or payment by the federal government, for each child under age four, with a maximum of $1,500 per year.

"Families would be free to choose the greater of the two credits among the two programs," Wilson said.

Making available government assistance for low-income families will be a futile effort unless there are available services for purchase, Wilson said.

To enlarge the number of facilities offering child care services, KIDS would offer incentives to small businesses.

"It's in the small business sector of the economy where tomorrow's jobs will be created and where day care facilities will be most in demand," Wilson said.

KIDS would create a small business tax credit of 25 percent up to $100,000 for expenses related to the establishment and operation of an on- or near-site child care facility.

Senator Hatch's bill would provide funds to establish child care services to all businesses, large and small, and would not continue credits for operational costs.

To help reduce the prohibitive cost of liability insurance, which has been a major obstacle to the growth of child care services, KIDS would provide $100 million to assist states in establishing a shared-risk program that would make available affordable liability insurance.

Specific details of the operation, training and education for child care programs under Wilson's legislation would be left up to the states, which have the best knowedge about the resources that are required.

"The federal government should not be in the position of micro-managing child care services," Wilson said. "The states need the flexibility to plan programs that fit the needs of their communities. A program designed to help people in depressed areas in a large city may not be the best program for rural towns."

While Wilson's bill would give states the responsibility in developing child care programs, it would require them to establish accreditation and licensing standards that would be subject to certification by the federal government.

KIDS would cost $4.8 billion over a four year period. This compares with $10 billion for Senator Dodd's bill, $1.125 billion for Senator Hatch's bill, and $8.8 billion for Vice President Bush's proposal.

Additional provisions of KIDS include:

** Phasing out the Dependent Care Tax Credit for taxpayers with gross adjusted incomes over $65,000, and eliminating it completely for taxpayers with incomes over $93,000. This phase-out would produce $1.5 billion to offset the cost of the bill.

** Encourges more senior citizens to become child care providers by changing the current exemption for income earned in child care from consideration under the Social Security earnings test for recipients from age 62 to 70;

** Makes minor changes in existing federal programs to encourage child care services for low and moderate income families, including the Social Service Block Grant, Child Welfare Services, Community Service Block Grant, and Community Development Block Grant;

	WILSON KIDS BILL	DODD ABC BILL	HATCH CHILD CARE BILL	BUSH CHILD CARE BILL
Grant Assistance (annually in billions)	.4	2.5	.25	.25
State Match	25%	15-20%	20%	??
Age Served	Under 13	15 and under	Under 12	??
Target Group	Priority for low income	Some $$ Reservations for low income	Direct Assistance to low income allowed	??
Child Care Provider Training	State Standards Required	Federal Standards Set	State Standards Required	??
Accreditation & Licensing Standards	State Sets Standards	Federal Standards	State Sets Standards	??
Parental Involvement	Required	Required	Required	??
Sliding Fee Mandated	Yes	Yes	Yes	??
Effects on Dependent Care Tax Credit	Makes Refundable; Abolishes For Adjusted Gross Incomes Over $93,000	No Change	No Change	Makes Refundable
Business Child Care	Tax Credit for SMALL Business	None	Restricted Tax Credit for ALL Business	None
Liability Insurance Provisions	Yes	None	Yes	None
Child Care For The Federal Work Force	Study	None	None	Provides $50 Million For Child Care for Federal Workers

	WILSON	DODD	HATCH	BUSH
Senior Citizens As Child Care Providers	Training of Seniors as Child Care Workers Encouraged	No Similar Provision	No Similar Provision	??
Social Security Earnings Test	Exempts Income Earned As A Child Care Provider	No Similar Provision	No Similar Provision	??
Current Federal Programs	Reforms Certain Federal Programs To Promote Child Care	No Similar Provisions	No Similar Provisions	??
New Children's Tax Credit	Up To $1,500 Per Family	None	None	Up To $2,000 Per Family
Four-Year Cost	$4.825 Billion	$10 Billion	$1.125 Billion	$8.8 Billion

??=not specified by the Vice President

COST

Costs (over four years)	($6.325) billion less
Children's Tax Credit	($3.000) billion
Dependent Care Program	($1.600) billion
Liability Risk Pool	($0.100) billion
Revolving Loan Fund	($0.025) billion
Dependent Care Credit Refundable	($1.600) billion
Offset (over four years)	$1.500 billion
Phase-out of Dependent Care	$1.500 billion
TOTAL FOUR-YEAR COST	**$4.825 billion#**

#=will vary due to usage of small business tax credit

COST COMPARISON WITH OTHER CHILD CARE PROPOSALS

The KIDS Bill (Wilson)	$ 4.825 billion
The ABC Bill (Dodd)	$10.000 billion
Bush Bill	$ 8.800 billion
Hatch Bill (S. 1678)	$ 1.125 billion

not have a fair shot at those tourist dollars, Mr. President. Of course they should. What I am saying is that we ought to take another look at any U.S. policy that actually compels those dollars, lira, francs, krone, marks, and so on to be spent on the other side of the border.

Furthermore, Mr. President, it is not just tourist dollars that are at stake. Food, fuel, and other supplies for the voyage are taken aboard somewhere else, and vessel repairs, docking fees, loading costs, and so on, are all lost to the U.S. economy.

Mr. President, it might be understandable if we were protecting enough American jobs to make it worthwhile, but that's not happening, nor are we encouraging the creation of new American jobs. The only thing we're really doing is putting an artificial, unneeded and unjustified barrier between U.S. companies and their potential customers.

In my opinion, Mr. President, any policy that accomplishes no more than that deserves some very close scrutiny.●

By Mr. WILSON:

S. 2730. A bill to increase the availability of quality affordable child care, and for other purposes; referred to the Committee on Finance.

KIDS IN DAY-CARE SERVICES ACT

Mr. WILSON. Mr. President, I rise in the spirit of compromise and with the firm belief that the 100th Congress can reach a strong bipartisan consensus on the issue of child care. I do not agree with those who believe this task too large to be completed this session. I question those who editorialize that it is better not to act this year. Instead, I challenge my colleagues to defy those who think Congress incapable of laying aside election year politics to act in the best interests of the Nation's working parents and their children.

We can and must act. The well-being of over 26 million children with working parents hangs in the balance. For their parents, the availability of safe and affordable child care is a real and critical concern. The need for legislative action has never been greater. Clearly, the time for action is not tomorrow, as the critics would suggest; the time for action is now.

Mr. President, the task before us admittedly will not be easy. Very few legislative days remain in the 100th Congress. To improve our chances, there will need to be a concerted effort toward compromise. As Edmund Burke once said, "All government—indeed, every human benefit and enjoyment, every virtue and every prudent act—is founded on compromise and barter." Today, I offer the following legislation as a point from which to begin the bartering.

My bill, the Kids In Day-Care Services Act of 1988 or to call it by a short acronym, the "kids bill," adopts a truly comprehensive approach to the child care problem. Let me briefly describe the major provisions of my legislation.

First, by creating a new refundable "children's tax credit" for low-income families, similar to that proposed by the Vice President just weeks ago, we can increase access to child care for millions of American families who are most in need of child care assistance. More important, it affords parents, not bureaucrats, choice in selecting the child care program best suited for their children.

For those families who do not earn enough income to pay taxes, but for whom access to child care services is equally important, the kids bill would make the present dependent care tax credit refundable.

Families would be free to choose the greater of the two credits—the children's tax credit or the dependent care tax credit.

However, as we know, to place purchasing power in the hands of families becomes futile if there are no child care services to purchase. The following question then presents itself: What is the best means to increase the availability of safe and affordable child care? I think our success in forging a compromise hinges upon our answer to that question. I would submit it is over this critical issue that we are most likely to stumble.

There are many different views in Congress on the issue of how best to increase child care availability. One thing we can all agree upon is that the Federal Government must play a role. But, to what extent?

Supporters of the widely publicized ABC bill argue that the Federal Government is best able to provide the hand that feeds. But I would argue, just as we have allowed the States maximum flexibility to design and operate their education and training programs under the recently passed welfare reform legislation, so ought we allow States to enjoy the greatest flexibility in developing and providing child care services.

Accordingly, the kids bill would expand Federal assistance to the States for child care programs and activities, but would not dictate Federal standards as a condition of receipt of funds. That does not mean that States would not be required to establish their own standards. To the contrary, they would.

Under the kids bill, States would be required to develop accreditation and licensing standards for family-based and group child care providers in addition to methods of inspection and certification based on such standards. Minimum competency requirements for child care workers and supervisors would also be established. In essence, the States, not Uncle Sam, would develop standards through consultation with parents, units or local government, community-based groups, business, educators, labor representatives, and others.

With tax credits for low- and modest-income families and standards of care, the next piece in the puzzle is to increase Federal funding to assist States in the provision of child care services. Therefore, the kids bill would expand the funding authorization for the Dependent Care and Development Program under the Department of Health and Human Services from $20 million to $400 million. I believe this funding level will serve as a sufficient impetus to increasing child care availability, while remaining within the boundaries of fiscal responsibility.

Under the greatly expanded Dependent Care Program, States could provide a wide range of activities designed to increase the availability of child care. From a voucher of scholarship program for low-income families to after-school programs. From training senior citizens as child care providers to establishing and operating community or neighborhood child care centers. A wide variety of activities would be offered.

Further, any State which has already taken the initiative to establish child care programs which meet the purpose of the kids bill would be allowed to use Federal funds to expand their current programs. For example, the State of California spends over $450 million annually in State funds and tax credits, providing a wide variety of child care programs similar to those authorized in the kids bill. Under the kids bill, California could utilize Federal funding to build upon its current network of services.

Mr. President, I have briefly discussed Government's responsibilities in the child care arena, but what of the private sector's involvement? Certainly, any comprehensive response must involve business and, in particular, pay attention to the capability of small business to play a vital role in providing child care.

Recent studies have shown that business has been slow to establish child care facilities for their employees. The services provided to employees usually consist solely of information and referral services.

Those businesses across the Nation that have taken the initiative to establish child care facilities are truly pioneers. While the number of employer-sponsored child care facilities is rising, supply has not kept pace with demand. After a review of the Internal Revenue Code, one finds few, if any, provisions which provide incentive to a corporation, let alone a small business with limited capital, to establish and operate a child care facility.

Consider that fact, Mr. President, and examine the astronomical costs of liability insurance, I am sure you would be surprised to find any employer-sponsored day care facilities anywhere in America. Clearly, if we are going to maximize access to child care for working families, we must offer incentives at the workplace just as we

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provide tax credits to the individual and matching grants to the States.

I believe we must especially focus our efforts upon the small business sector of our economy. It is here where tomorrow's jobs will be created. It is small business which will offer job opportunity to the great influx of working mothers expected in the job market by the year 2000.

I believe we can create an environment in which many of the barriers to child care can be removed and the road to employer-sponsored child care facilities paved. First, the kids bill would create a small business tax credit of 25 percent up to $100,000 for expenses related to the establishment and operation of an on- or near-site child care facility.

Second, to help reduce the liability barrier which is oftentimes too great to overcome, my bill would, similar to other proposals, authorize $100 million in funding to States to assist in the establishment of liability risk retention groups.

Mr. President, other provisions of the kids bill include the establishment of a $25 million revolving loan fund to improve day care facilities, a study on the feasibility of offering child care as a benefit to Federal employees, requiring dependent care as an option under cafeteria benefit plans, and a comprehensive examination of Federal day care efforts. And, to enlist the support of one of the Nation's most valuable resources, our senior citizens, the kids bill would exempt earnings received for the provision of child care under the Social Security earnings test for recipients age 62 through 69.

Finally, Mr. President, to ensure that Federal programs and tax incentives are directed toward those families with the greatest need, the kids bill would gradually reduce the dependent care tax credit for those taxpayers whose adjusted gross incomes exceed $65,000 per year, eliminating the credit completely for those families with adjusted gross incomes over $93,000 per year.

Let me, once again, indicate that I introduce the kids bill with one purpose in mind and that is to provide a vehicle for compromise. I do not pretend to satisfy all who have been involved in the child care debate. Simply, it is an attempt to combine what I believe to be the best and least contentious provisions of proposals we have seen to date.

Having said that, I challenge my colleagues to prove our critics wrong and show the American public that this Congress, not the 101st, 102d, or 103d, can and will take prudent action on the child care issue.

Mr. President, this legislation is a tribute to those who have been involved, but I think that those of us who read an editorial in a recent edition of the Washington Post, saying that while many good proposals have been put forth there was a need to try to bring together the best of all in an eclectic effort, would agree that perhaps that effort needs to be forthcoming. What is offered here in the vehicle that I hope will stimulate that effort and consensus.

It is a compromise as we were told of the kind that hopefully will produce progress.

Mr. President, I hope for that progress, and I hope that it comes within the remaining days of the session. It is imperative that we make ever effort to see that it does. Working parents and their children need the kind of help that we can provide. They need it now.

I ask that the bill be printed in the Record.

There being no objection, the bill was ordered to be printed in the Record, as follows:

S. 2730

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Kids in Day-Care Services Act of 1988".

SEC. 2. TABLE OF CONTENTS.

The table of contents is as follows:

Sec. 1. Short title.
Sec. 2. Table of Contents.
Sec. 3. Findings and purpose.

TITLE I—DEPENDENT CARE PLANNING AND DEVELOPMENT PROGRAM

Sec. 101. Dependent care planning and development program.
Sec. 102. Effective date.

TITLE II—CHILD CARE LIABILITY RISK REDUCTION AND REVOLVING LOAN FUND

Subtitle A—Liability Risk Reduction

Sec. 210. Purpose.
Sec. 211. Formation of child care liability risk retention group.
Sec. 212. State applications.
Sec. 213. Federal enforcement.
Sec. 214. Authorization of appropriations.
Sec. 215. Reservations for territories and administrative costs.
Sec. 216. Allotments to States.
Sec. 217. Payments.

Subtitle B—Revolving Loan Fund

Sec. 220. Purpose; definitions.
Sec. 221. State applications.
Sec. 222. Authorization of appropriations.
Sec. 223. Reservations for territories and administrative costs.
Sec. 224. Allotment to States.

TITLE III—SOCIAL SECURITY ACT PROVISION

Sec. 301. Child care earnings excluded from wages and self-employment income for excess earnings test.

TITLE IV—INTERNAL REVENUE CODE PROVISIONS

Sec. 401. Credit for small businesses providing qualified child care facilities.
Sec. 402. Cafeteria plans required to provide child care option.
Sec. 403. Child and dependent care credit completely phased out for adjusted gross incomes above $93,500.
Sec. 404. Refundable dependent care services tax credit.
Sec. 405. Children's tax credit.

TITLE V—MISCELLENOUS

Sec. 501. Community Services Block Grant Act.
Sec. 502. Child care under the Community Development Block Grant Program.
Sec. 503. Federal employee child care study.
Sec. 504. Study of Federal child care efforts.
Sec. 505. Sense of the Senate.

SEC. 3. FINDINGS AND PURPOSE.

(a) Findings.—Congress finds that—

(1) 26,400,000 children have mothers who are employed in full and part time jobs, and 8,200,000 of such children are under the age of 5;

(2) more than 60 percent of new entrants into the labor force between the years 1986 and 2000 will be women in their childbearing years;

(3) the rapid influx of mothers into the workforce has made child care a primary concern of American families;

(4) safe and affordable child care has become a major problem for many families, including families with low and modest incomes;

(5) compliance with established quality, accreditation, and licensing standards is critical to ensuring the health and safety of children in family-based and group child care settings;

(6) there is a shortage of both trained child care providers and child care training programs where individuals can obtain the training necessary to become such a provider;

(7) difficulties in obtaining affordable liability insurance discourages individuals and small business from providing child care;

(8) there are persons between the ages of 62 and 69 who, though qualified and interested in working as child care providers, decline to do so for fear that their social security benefits would be reduced;

(9) the current Child and Dependent Care Tax Credit under section 21 of the Internal Revenue Code of 1986, is not of maximum benefit to families of low and modest incomes;

(10) the creation of additional child care tax incentives is essential to meeting the needs of children from low and modest income families; and

(11) coordination of Federal child care programs will greatly enhance the provision of child care services.

(b) Purpose.—It is the purpose of this Act to—

(1) provide assistance and flexibility to States to increase the availability of safe and affordable child care for working families;

(2) increase the access of families with low and modest incomes to affordable and quality child care;

(3) ensure the health and safety of children entrusted to child care providers;

(4) promote greater private sector involvement in the provision of child care; and

(5) remove barriers to the provision of child care.

TITLE I—DEPENDENT CARE PLANNING AND DEVELOPMENT PROGRAM

SEC. 101. DEPENDENT CARE PLANNING AND DEVELOPMENT PROGRAM.

Title XX of the Social Security Act (42 U.S.C. 1397 et seq.) is amended—

(1) by inserting before the heading of section 2001 the following:

"Subtitle A—Social Services Grant Program"; and

(2) by adding at the end thereof the following new subtitle:

"SUBTITLE B—DEPENDENT CARE PLANNING AND DEVELOPMENT PROGRAM

"SEC. 2010. DEFINITIONS.

"As used in this Act:

"(1) CONSORTIUM OF SMALL BUSINESSES.—The term "consortium of small businesses" means two or more small businesses.

"(2) ELIGIBLE ENTITIES.—The term "eligible entity" means—

"(A) a unit of State or local government;

"(B) a local education agency;

"(C) a nonprofit organization, which qualifies as a nonprofit organization under section 501(c) or 501(d) for the Internal Revenue Code of 1986;

"(D) a professional employee association;

"(E) a consortium of small businesses;

"(F) an institution of higher education;

"(G) a hospital or health care facility;

"(H) a family care provider; and

"(I) any public, private, or nonprofit entity that the State considers able and appropriate to carry out a project under this part.

"(3) ELIGIBLE FAMILIES.—The term "eligible families" means families with one or more children who are under the age of 13 and whose family income does not exceed 100 percent of the State median income for a family of the same size;

"(4) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" has the same meaning given that term by section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a)), as amended;

"(5) LOCAL EDUCATION AGENCY.—The term "local education agency" has the same meaning given that term by section 198(10) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 2854(10)), or any successor statute defining that term for the purposes of Federal assistance to elementary and secondary education;

"(6) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services;

"(7) SLIDING FEE SCHEDULE.—The term "sliding fee schedule" means a system of cost sharing between the State and a family based on the income and size of a family with very low income families having to pay no cost;

"(8) SMALL BUSINESS.—The term "small business" means any business entity that employs less than 50 individuals.

"(9) STATE.—The term "State" means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Trust Territory of the Pacific Islands, and the Commonwealth of the Northern Mariana Islands.

"SEC. 2011. AUTHORIZATION OF APPROPRIATIONS.

"For the purpose of making allotments to States to carry out the activities described in section 2014, there are authorized to be appropriated $400,000,000 for each of the fiscal years 1989, 1990, 1991, and 1992.

"SEC. 2012. ALLOTMENTS.

"(a) FORMULA.—

"(1) IN GENERAL.—The Secretary shall make an allotment to each State for each fiscal year, from amounts appropriated under section 2011 for such fiscal year, on the basis of a formula prescribed by the Secretary that is based equally—

"(A) on the population of each State as it compares to the population of all States; and

"(B) on the population of each State weighted by the relative per capita income of that State as such compares to the relative per capita income of all States.

"(2) DEFINITION.—For purposes of this subsection, the term 'relative per capita income' means—

"(A) the quotient of the per capita income of the United States and the per capita income of the State; or

"(B) in the case of Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, the Commonwealth of Puerto Rico, or the Virgin Islands, the quotient shall be considered to be 1.

"(b) ADDITIONAL ALLOTMENT.—

"(1) METHOD OF ALLOTMENT.—Any amounts not alloted under subsection (a) shall be allotted among each of the States in proportion to the amount otherwise allotted to such States for such fiscal year under subsection (a).

"(2) DEFINITION.—For the purposes of this subsection, the term 'State' does not include Guam, American Samoa, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

"(3) REDUCTIONS.—

"(A) IN GENERAL.—The amount that a State is entitled to receive under subsection (a) and under paragraph (1) shall be reduced to the extent that such amount exceeds the sum that the Secretary estimates will be used in such State to carry out a State plan approved by the Secretary under section 2015.

"(B) REALLOTMENT.—The amount of such reduction shall be reallotted among those remaining States that have not been subject to a reduction under this paragraph in the same manner in which the original allotment was made.

"SEC. 2013. PAYMENTS UNDER ALLOTMENTS TO STATES.

"(a) IN GENERAL.—The Secretary shall make payments from amounts appropriated for each fiscal year under section 2011, as provided by section 6503(a) of title 31, United States Code, to each State in an amount (not to exceed its allotment under section 2012 for such fiscal year) equal to the Federal share of the aggregate amount to be expended by the State under the State plan for such fiscal year.

"(b) FEDERAL SHARE.—The Federal share for each fiscal year shall be 75 percent.

"(c) STATE SHARE.—The State share shall equal 100 percent minus the Federal share.

"(d) CARRYOVER.—Any amount paid to a State for a fiscal year and remaining unobligated at the end of that year shall remain available, for the next fiscal year, to the State for the purposes for which the payment to the State was made.

"SEC. 2014. STATE USE OF ALLOTMENTS.

"(a) PROJECT GRANTS.—Amounts paid to a State under section 2013 shall be used by the State to make grants to eligible entities for projects described in subsection (b) that meet at least one of the purposes of the Kids in Day-Care Services Act of 1988.

"(b) PROJECTS.—

"(1) PURPOSE.—A State may make a grant to an eligible entity—

"(A) for the provision of child care services through various programs, including a certificate or voucher program for eligible families;

"(B) for the expansion and operation of existing State child care programs, if such programs are consistent with the purposes of the Kids in Day-Care Services Act of 1988;

"(C) for the establishment or operation of community or neighborhood child care centers, including the renovation of public buildings for such purposes;

"(D) for the establishment or operation of after school child care programs;

"(E) for the establishment or operation of programs to recruit and train senior citizens to serve as child care providers;

"(F) for the establishment or operation of child care programs for children of migrant workers families;

"(G) to enable such entity to provide grants or loans to fund the start up costs of onsite child care offered by small business concerns;

"(H) for the establishment and operation of training programs for child care providers;

"(I) for the temporary care of children who are sick and unable to attend child care programs in which such children are enrolled; or

"(J) for any project consistent with the purposes of the Kids in Day-Care Services Act of 1988.

"(2) LIMITATIONS.—A State may not use amounts paid to the State under section 2013 to—

"(A) provide inpatient health care services or other such unrelated services, except temporary sick child care services as authorized under paragraph (1)(I);

"(B) make cash payments to intended recipients of services (other than pursuant to a certificate or voucher program to enable low income families to obtain adequate child care as authorized under paragraph (1)(A));

"(C) provide support to any project in which to provision of child care services is not based on a sliding fee schedule;

"(D) purchase major medical equipment (except as provided in paragraph (1)(I)); and

"(E) satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funds.

"(3) WAIVER OF LIMITATIONS.—The Secretary may waive the limitations contained in paragraph (2) on the request of a State if the Secretary finds that there are extraordinary circumstances to justify the waiver and that granting the waiver will assist in carrying out this title.

"(c) TECHNICAL ASSISTANCE.—The Secretary, on the request of a State, shall provide technical assistance to the State in planning and operating activities to be carried out under this title.

"(d) STATE ADMINISTRATION.—

"(1) LIMITATION OF EXPENDITURES.—No more than 7 percent of the total amount paid to a State under section 2013 for a fiscal year shall be used for administering the funds made available under such section. The State shall pay from non-Federal sources the remaining costs of administering such funds.

"(2) STATE RESPONSIBILITIES.—From the funds reserved by the State under paragraph (1) for the administration of the amounts paid to the State under section 2013, the State shall—

"(A) provide technical assistance to eligible entities participating in projects receiving assistance under this section;

"(B) conduct investigations of alleged child abuse in projects receiving assistance under this section;

"(C) coordinate projects receiving assistance under the Kids in Day-Care Services Act of 1988 with existing programs;

"(D) establish regular communications with registered, licensed, and accredited child care providers concerning regulatory standards, provider training opportunities, provider support groups, and nutrition assistance programs; and

"(E) establish a consumer education program designed to inform parents and the general public about regulatory standards, complaint procedures, and the importance of parental involvement in assuring quality child care.

"SEC. 2015. STATE PLAN.

"(a) STATE PLAN.—Not later than 12 months after the date of enactment of this title each State desiring to participate in the program authorized under this title shall prepare and submit to the Secretary a State plan. Each such plan shall—

"(1) describe the State agency that will administer the programs authorized under this title;

"(2) describe the authorized activities for which assistance is sought under this title;

"(3) provide assurances that Federal funds under this title for any fiscal year will be used to supplement, and to the extent practicable, to increase the level of funds, that would, in the absence of such Federal funds, be made available from non-Federal sources for the purpose described in section 2014 and in no case supplant such funds from non-Federal sources;

"(4) describe procedures that the State will use to require eligible providers to submit applications to the State in accordance with section 2017, and to approve such applications;

"(5) describe standards that the State has established pursuant to section 2016;

"(6) certify that the State will coordinate the provision of child care services made available with funds provided under this title with other child care services provided in the State;

"(7) provide such fiscal control and accounting procedures as may be necessary—

"(A) to ensure the proper accounting of Federal funds paid to the State under this title; and

"(B) to ensure the verification of reports required under this title;

"(8) certify that the State will use the information contained in the report submitted to the Secretary pursuant to subsection (1) to regularly evaluate the impact of the distribution of funds received pursuant to section 2013 by the State on the quality and availability of child care services in the State; and

"(9) provide such additional assurances as the Secretary may reasonably require.

"(b) Approval.—

"(1) Time period.—Not later than 30 days after the receipt of a State plan under section 2018, the Secretary shall approve such plan if it meets the requirements of such subsection and this title.

"(2) Disapproval.—In the case of a State plan that is not approved by the Secretary under this paragraph (1), the Secretary may withhold funds from such State until such time as the State plan meets the requirements of this title.

"(3) Technical assistance.—The Secretary shall provide technical assistance to a State, on request by the State, to ensure compliance with the provisions of this title.

"SEC. 2016. STANDARDS.

"(a) Establishment.—To receive funds under this title, a State shall establish standards for—

"(1) the accreditation and licensing of family-based and group child care providers;

"(2) inspection and certification of the providers referred to in paragraph (1) based on such standards; and

"(3) minimum competency requirements that child care providers must meet.

"(b) Consultation.—In developing standards under paragraph (1), a State shall consult with child care providers, parents, community-based organizations, local government, social service agencies, religious organizations, educational institutions, business organizations, and labor and employee associations.

"SEC. 2017. APPLICATIONS FOR GRANTS BY ELIGIBLE PROVIDERS.

"(a) Application.—In order to receive a grant from a State under section 2014, an eligible entity shall submit an application to the State that—

"(1) describes the project for which assistance is sought;

"(2) contains assurances that the eligible provider will use funds furnished in accordance with the requirements of this title;

"(3) provides assurances that—

"(A) an appropriate sliding fee schedule will be established in the case of any project in which child care services are furnished with assistance under this title; and

"(B) such fee schedule will be based on the annual incomes of the participating families;

"(4) provides assurances that procedures will be established for parental involvement in the operation of a project receiving assistance under this title;

"(5) provides assurances that the project will meet the standards established by the State under section 2016; and

"(6) includes any additional assurances that the State may reasonably require.

"(b) Priority.—In making grants under this title, a State shall give priority to applications from eligible providers that attempt to significantly expand or improve the provision of child care services to children of parents with low or modest incomes.

"(c) Funding Requirement. An eligible entity receiving a grant under this section shall be required to fund at least 10 percent, but not more than 50 percent, of the project cost with non-Federal funds. The non-Federal funding may be in cash or in kind based on fair market value.

"SEC. 2018. REPORTING REQUIREMENTS.

"(a) State Reports.—

"(1) In general.—Not later than 12 months after a State receives funds under this title, and at 12-month intervals thereafter, the chief executive officer of such State shall prepare and submit to the Secretary, in such form as the Secretary shall prescribe, a report describing the States' use of funds received under this title.

"(2) Report requirements.—Reports submitted under paragraph (1) shall—

"(A) include a description of the programs, activities, and services supported or provided with the funds received under this title;

"(B) include the number of children served by, the number of low-income families served by, and the Federal, State, local, and private costs incurred in, the programs, activities, and services supported or provided with the funds received under this title;

"(C) include the number of individuals trained as child care providers and an examination of the impact of provider pay on the quality of child care and on provider and staff turnover in the State during the preceding year;

"(D) include the number of new child care programs established in part or in whole with funds provided this title;

"(E) include any additional information that the chief executive officer of the State may consider appropriate; and

"(F) be made public in the State in a manner that will facilitate comment by persons desiring to do so.

"(b) Report to Congress.—Not later than 6 months after the receipt of State reports required under subsection (a), and at 12-month intervals thereafter, the Secretary shall prepare and submit, to the appropriate Committees of Congress, a report containing a summary of the information contained in the State reports submitted under subsection (a). Such summary shall include an analysis of those programs activities, and services supported or provided with the funds received by the States this title that the Secretary considers particularly innovative and effective, and any additional information the Secretary considers appropriate.".

SEC. 102. EFFECTIVE DATE.

This title and the amendments made by this title shall become effective on 6 months after the date of enactment of this Act.

TITLE II—CHILD CARE LIABILITY RISK REDUCTION AND REVOLVING LOAN FUND

Subtitle A—Liability Risk Reduction

SEC. 210. PURPOSE.

It is the purpose of this subtitle—

(1) to increase the availability of child care by alleviating the serious difficulty faced by child care providers in obtaining affordable liability insurance; and

(2) to provide States with a sufficient capital base for liability insurance purposes that may be increased or maintained through mechanisms developed by the State.

SEC. 211. FORMATION OF CHILD CARE LIABILITY RISK RETENTION GROUP.

(a) Assistance in Formation and Operation of Group.—Any State may assist in the establishment and operation of a child care liability risk retention group in the manner provided under this subtitle.

(b) Child Care Liability Risk Retention Group Defined.—For purposes of this subtitle, the "child care liability risk retention group" means any corporation (or other limited liability association)—

(1) whose members are child care providers licensed or accredited pursuant to State or local law or standards; and

(2) which otherwise satisfies the criteria for a risk retention group under section 2(4) of the Liability Risk Retention Act of 1986 (15 U.S.C. 3901(4)).

SEC. 212. STATE APPLICATIONS.

(a) Applications.—To qualify for assistance under this subtitle, a State shall submit an application to the Secretary of Health and Human Services, at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require, including a State plan which meets the requirements of subsection (b) of this section.

(b) State Plans.—

(1) Lead agency.—The plan shall identify the lead agency which has been designated and that is to be responsible for the administration of funds provided under this subtitle.

(2) Participants in risk retention group.—The plan shall provide that all participants in the child care liability risk retention group are child care providers who are licensed or accredited pursuant to State or local law or standards. In addition, the plan shall provide for maximum membership of family-based child care providers in the group.

(3) Use of funds.—The plan shall provide that the State shall use at least the amount allotted to the State in any fiscal year to establish or operate a child care liability risk retention group.

(4) Continuation of risk retention group.—The plan shall set forth provisions that specify how the child care liability risk retention group will continue to be financed after fiscal year 1991, including financing through contributions by the State or by members of such group.

SEC. 213. FEDERAL ENFORCEMENT.

(a) Review of Plans.—The Secretary of Health and Human Services shall review and approve State plans submitted in accordance with this subtitle and shall monitor State compliance with the provisions of this subtitle.

(b) Finding of Noncompliance.—If the Secretary of Health and Human Services, after reasonable notice to a State and opportunity for a hearing, finds—

(1) that there has been a failure to comply substantially with any provision or any requirements set forth in the State plan of that State; or

(2) that there is a failure to comply substantially with any applicable provision of this subtitle,

the Secretary shall notify such State of the findings and of the fact that no further payments may be made to such State under this subtitle until the Secretary is satisfied that there is no longer any such failure to comply, or that the noncompliance will be promptly corrected.

SEC. 214. AUTHORIZATION OF APPROPRIATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS.—To carry out the provisions of this subtitle, there are authorized to be appropriated $100,000,000 for fiscal year 1989.

(b) AMOUNTS TO REMAIN AVAILABLE.—The amounts appropriated pursuant to subsection (a) shall remain available for assistance to States for fiscal years 1989, 1990, and 1991 without limitation.

SEC. 215. RESERVATIONS FOR TERRITORIES AND ADMINISTRATIVE COSTS.

From the sums appropriated to carry out the provisions of this subtitle for each fiscal year, the Secretary of Health and Human Services shall reserve—

(1) 1 percent for payments to Guam, American Samoa, the Virgin Islands, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands, to be allotted in accordance with their respective needs; and

(2) 3 percent for the administrative costs of carrying out the provisions of this subtitle.

SEC. 216. ALLOTMENTS TO STATES.

(a) IN GENERAL.—From the remainder of the amounts appropriated under section 214, the Secretary of Health and Human Services shall make an allotment to each State not referred to in section 215 for each fiscal year in accordance with subsection (b).

(b) ALLOTMENT FORMULA.—

(1) IN GENERAL.—The amount of each State's allotment under subsection (a) shall be equal to the product of—

(A) an amount equal to the sums appropriated to carry out the provisions of this subtitle for each fiscal year minus the amount reserved pursuant to section 215 for such fiscal year; and

(B) the percentage described in paragraph (2).

(2) PERCENTAGE.—The percentage referred to in paragraph (1)(B) is a percentage equal to the quotient of—

(A) an amount equal to the population of each State as it compares to the population of all States; divided by

(B) an amount equal to the population of each State weighted by the relative per capita income of that State as such compares to the relative per capita income of all States.

(c) STATE ADMINISTRATIVE COSTS.—Of the amount allotted to a State pursuant to subsection (a), an amount not to exceed 7 percent shall be used by such State to provide for the administrative costs of carrying out such program.

SEC. 217. PAYMENTS.

(a) ENTITLEMENT.—Each State having a plan approved by the Secretary of Health and Human Services under this subtitle shall be entitled to payments under this section for each fiscal year in an amount not to exceed its allotment under section 216, to be expended by the State under the plan for the fiscal year for which the grant is to be made.

(b) METHOD OF PAYMENTS.—The Secretary of Health and Human Services may make payments to a State in installments, and in advance or, subject to the requirement of section 214, by way of reimbursement, with necessary adjustments on account of overpayments or underpayments, as the Secretary may determine.

(c) CARRYOVER.—Any amount paid to a State for a fiscal year and remaining unobligated at the end of that year shall remain available, for the next fiscal year, to the State for the purposes for which the payment to the State was made.

SUBTITLE B—REVOLVING LOAN FUND

SEC. 220. PURPOSE; DEFINITIONS.

(a) PURPOSE.—It is the purpose of this subtitle to—

(1) increase the availability of family-based child care by enabling family-based child care providers to meet accreditation or licensing standards; and

(2) provide States with a sufficient capital base to make loans that may be increased or maintained through mechanisms developed by the State.

(b) DEFINITIONS.—As used in this subtitle:

(1) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services.

(2) STATE.—The term "State" means any State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

SEC. 221. STATE APPLICATIONS.

(a) SUBMISSION OF APPLICATION.—

(1) FORM OF APPLICATION.—To qualify for assistance under this subtitle, a State shall submit an application to the Secretary, at such time, in such manner, and providing such information as the Secretary may require, including a plan which meets the requirements of paragraph (2).

(2) QUALIFYING FOR LOAN.—The State shall submit a plan that sets forth procedures and requirements whereby any person desiring to make capital improvements to the principal residence of such person (within the meaning of section 1034 of the Internal Revenue Code of 1986) in order to become a licensed or accredited family-based child care facility, pursuant to State or local law or standards, may obtain a loan from the State revolving loan fund (hereinafter called the "fund"). Such fund shall be administered by the State and shall provide loans to qualified applicants, pursuant to the terms and conditions established by such State, in an amount, determined by such State, which is not in excess of $1,500.

(b) STATE PLAN.—

(1) ESTABLISHMENT OF FUND.—The State shall provide in its plan, that such State has established a revolving loan fund, and has provided procedures whereby—

(A) moneys are transferred to such fund to provide capital for making loans;

(B) interest and principal payments on loans and any other moneys, property, or assets derived from any action concerning such fund are deposited into such fund;

(C) all loans, expenses, and payments pursuant to the operation of this title are paid from such fund;

(D) loans made from such fund are made to qualified applicants for capital improvements to be made so that such applicant may obtain a State or local accreditation or a license for a family-based child care facility; and

(E) the plan shall set forth provisions which specify how any such revolving loan fund will continue to be financed after fiscal year 1990, such as through contributions by the State or by some other entity.

(2) QUALIFICATIONS.—Such plan shall also set forth procedures and guidelines to carry out the purposes of this subtitle, including provisions which will assure that only applicants who obtain a license or accreditation for a child care facility in accordance with the provisions of State or local law or standards, benefit from loans made available pursuant to the provisions of this title.

SEC. 222. AUTHORIZATION OF APPROPRIATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS.—To carry out the provisions of this subtitle, there are authorized to be appropriated $25,000,000 for fiscal year 1989.

(b) AMOUNTS TO REMAIN AVAILABLE.—The amounts appropriated pursuant to subsection (a) shall remain available for assistance to States for fiscal years 1989, 1990, and 1991 without limitation.

SEC. 223. RESERVATIONS FOR TERRITORIES AND ADMINISTRATIVE COSTS.

From the sums appropriated to carry out the provisions of this subtitle in each fiscal year, the Secretary shall reserve—

(1) 1 percent for payments to Guam, American Samoa, the Virgin Islands, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands, to be alloted in accordance with their respective needs; and

(2) 3 percent for the administrative costs of carrying out the provisions of this subtitle.

SEC. 224. ALLOTMENTS TO STATES.

(a) IN GENERAL.—From the remainder of the amounts appropriated under section 222, the Secretary shall make an allotment to each State not referred to in section 223 for each fiscal year to enable the State to carry out the provisions of this subtitle for such fiscal year.

(b) ALLOTMENT FORMULA.—

(1) IN GENERAL.—The amount of each State's allotment under subsection (a) shall be equal to the product of—

(A) an amount equal to the sums appropriated to carry out the provisions of this title for each fiscal year minus the amounts reserved pursuant to section 223 for such fiscal year; and

(B) the percentage described in paragraph (2).

(2) PERCENTAGE.—The percentage referred to in paragraph (1)(B) is a percentage equal to the quotient of—

(A) an amount equal to the population of each State as it compares to the population of all States; divided by

(B) an amount equal to the population of each State weighted by the relative per capita income of that State as such compares to the relative per capita income of all States.

(c) STATE ADMINISTRATIVE COSTS.—Of the amount allotted to a State pursuant to subsection (a), an amount not to exceed 10 percent shall be used by such State to provide for the administrative costs of carrying out such program.

TITLE III—SOCIAL SECURITY ACT PROVISION

SEC. 301. CHILD CARE EARNINGS EXCLUDED FROM WAGES AND SELF-EMPLOYMENT INCOME FOR EXCESS EARNINGS TEST.

(a) WAGES.—Section 203(f)(5)(C) of the Social Security Act (42 U.S.C. 403(f)(5)(C)) is amended—

(1) by striking out "or" at the end of clause (i),

(2) by striking out the period at the end of clause (ii) and inserting in lieu thereof ", or", and

(3) by adding at the end thereof the following new clause:

"(iii) the amount of any payment made to an employee by an employer for child care services performed by such employee after the month in which such employee initially becomes entitled to insurance benefits under this title.".

(b) Self-Employment Income.—Section 203(f)(5)(D) of such Act (42 U.S.C. 403(f)(5)(D)) is amended—

(1) by striking out "or" at the end of clause (i),

(2) by adding "or" at the end of clause (ii),

(3) by inserting immediately after clause (ii) the following new clause:

"(iii) an individual who has become entitled to insurance benefits under this title, any income attributable to child care services performed after the month in which such individual becomes entitled to such benefits,", and

(4) by striking out "royalties or other income" and inserting in lieu thereof "royalties or income".

(c) Effective Date.—The amendments made by this section shall apply to wages or income earned after the date of the enactment of this Act.

TITLE IV—INTERNAL REVENUE CODE PROVISIONS

SEC. 401. CREDIT FOR SMALL BUSINESSES PROVIDING QUALIFIED CHILD CARE FACILITIES

(a) In General.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end thereof the following new section:

"SEC. 43. QUALIFIED SMALL BUSINESS-PROVIDED CHILD CARE FACILITY CREDIT.

"(a) In General.—For purposes of section 38, the qualified child care facility credit determined under this section for any taxable year is an amount equal to 25 percent of the qualified child care expenses for such taxable year.

"(b) Limitation.—The amount of the credit determined under subsection (a) for any taxable year shall not exceed $100,000.

"(c) Definitions.—For purposes of this section—

"(1) Qualified child care expenses.—The term 'qualified child care expenses' means any amount paid or incurred by a small business during the taxable year to acquire, construct, or otherwise establish a qualified child care facility and to operate such facility.

"(2) Qualified child care facility.—

"(A) In general.—The term 'qualified child care facility' means a facility—

"(i) operated by a small business for the care of enrollees, at least 30 percent of whom are dependents of employees of such small business,

"(ii) located on or near the business premises of such small business, and

"(iii) which is accredited or licensed to operate as a child care facility under applicable State and local laws and regulations.

"(B) Consortium of small businesses.—In the case of a facility operated by more than 1 small business, such facility shall be treated as a qualified child care facility of each small business with respect to which the requirements of subparagraph (A) are met separately.

"(3) Small business.—The term 'small business' means any person who employs less than 50 full-time employees in any 1 pay period.

"(d) Basis Adjustments.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

"(e) No Double Benefit.—No credit or deduction under any other provision of this chapter shall be allowed to a taxpayer for the taxable year for any expenditure with respect to which a credit is allowed under this section for such year.

"(f) Special Aggregation and Allocation Rules.—For purposes of this section—

"(1) Aggregation of expenditures.—

"(A) Controlled group of corporations.—In determining the amount of the credit under this section—

"(i) all members of the same controlled group of corporations shall be treated as a single taxpayer, and

"(ii) the credit (if any) allowable by this section to each such member shall be its proportionate share of the qualified child care expenses giving rise to the credit.

"(B) Common control.—Under regulations prescribed by the Secretary, in determining the amount of the credit under this section—

"(i) all trades or businesses (whether or not incorporated) which are under common control shall be treated as a single taxpayer, and

"(ii) the credit (if any) allowable by this section to each such person shall be its proportionate share of the qualified child care expenses giving rise to the credit.

The regulations prescribed under this subparagraph shall be based on principles similar to the principles which apply in the case of subparagraph (A).

"(2) Allocations.—

"(A) Allocation in case of consortium of small businesses.—In the case of a consortium of small businesses described in subsection (c)(2)(B) in jointly operating a qualified child care facility, the credit allowable by this section to each such small business shall be its proportionate share of the qualified child care expenses giving rise to the credit.

"(B) Pass-thru in the case of estates and trusts.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

"(C) Allocation in the case of partnerships.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

"(3) Controlled group of corporations.—The term 'controlled group of corporations' has the same meaning given to such term by section 1563(a), except that—

"(A) 'more than 50 percent' shall be substituted for 'at least 80 percent' each place it appears in section 1563(a)(1), and

"(B) the determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of section 1563.

"(g) Special Rule for Pass-Thru of Credit.—In the case of an individual who—

"(1) owns an interest in an unincorporated trade or business,

"(2) is a partner in a partnership,

"(3) is a beneficiary of an estate or trust, or

"(4) is a shareholder in an S corporation,

the amount allowable under subsection (a) for any taxable year shall not exceed an amount (separately computed with respect to such person's interest in such trade or business or entity) equal to the amount of tax attributable to that portion of a person's taxable income which is allocable or apportionable to the person's interest in such trade or business or entity.

"(h) Receipt of Child Care Project Grant.—A small business is not eligible for a credit under this section for a taxable year if such small business received a child care project grant pursuant to section 1934 of the Public Health Service Act during such taxable year.".

(b) Conforming Amendments.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended—

(A) by striking out "plus" at the end of paragraph (4),

(B) by striking out the period at the end of paragraph (5), and inserting in lieu thereof a comma and "plus", and

(C) by adding at the end thereof the following new paragraph:

"(6) the qualified child care facility credit determined under section 43.".

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Sec. 43. Qualified small business-provided child care facility credit.".

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31 of the calendar year in which this Act is enacted.

SEC. 402. CAFETERIA PLANS REQUIRED TO PROVIDE CHILD CARE OPTION.

(a) In General.—Paragraph (1) of section 125(c) of the Internal Revenue Code of 1986 (defining cafeteria plan) is amended by adding at the end thereof the following new sentence:

"A plan shall not be treated as a cafeteria plan unless it provides an option to choose benefits under a dependent care assistance program (within the meaning of section 129(d)).".

(b) Effective Date.—The amendment made by this section shall apply to plan years beginning after December 31 of the calendar year in which this Act is enacted.

SEC. 403. CHILD AND DEPENDENT CARE CREDIT COMPLETELY PHASED OUT FOR ADJUSTED GROSS INCOMES ABOVE [illegible]

(a) In General.—Paragraph (2) of section 21(a) of the Internal Revenue Code of 1986 (relating to expenses for household and dependent care services necessary for gainful employment) is amended to read as follows:

"(2) Applicable percentage defined.—For purposes of paragraph (1), the term 'applicable percentage' means 30 percent reduced (but not below 0 percent) by the sum of—

"(A) 1 percentage point (but no more than a total of 10 percentage points) for each $2,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $10,000, plus

"(B) 1 percentage point for each $1,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $65,000.".

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31 of the calendar year in which this Act is enacted.

SEC. 404. REFUNDABLE DEPENDENT CARE SERVICES TAX CREDIT.

(a) In General.—Part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to credits against tax) is amended—

(1) by redesignating section 35 as section 36, and

(2) by redesignating section 21 as section 35.

(b) Conforming Amendments.—

(1) Paragraph (1) of section 35(a) of the Internal Revenue Code of 1986 (relating to allowance of credit), as redesignated by subsection (a), is amended by striking out "chapter" and inserting in lieu thereof "subtitle".

(2) Section 129 of such Code (relating to dependent care assistance programs) is amended—

(A) by striking out "section 21(d)(2)" in subsection (b)(2) and inserting in lieu thereof "section 35(d)(2)", and

(B) by striking out "section 21(b)(2)" in subsection (e)(1) and inserting in lieu thereof "section 35(b)(2)".

(3) Subsection (e) of section 213 of such Code (relating to deduction for medical, dental, etc., expenses) is amended by striking out "section 21" and inserting in lieu thereof "section 35".

(4) Paragraph (4) of section 6201(a) of such Code (relating to assessment authority) is amended—

(A) by striking out "or section 32 (relating to earned income)" and inserting in lieu thereof ", section 32 (relating to earned income), or section 35 (relating to dependent care services credit)", and

(B) by striking out the caption and inserting in lieu thereof the following:

(4) OVERSTATEMENT OF CERTAIN CREDITS.—

(5) Section 6513 of such Code (relating to time return deemed filed and tax considered paid) is amended by adding at the end thereof the following new subsection:

(f) TIME TAX IS CONSIDERED PAID FOR DEPENDENT CARE SERVICES CREDIT.—For purposes of section 6511, the taxpayer shall be considered as paying an amount of tax on the last day prescribed for payment of the tax (determined without regard to any extension of time and without regard to any election to pay the tax in installments) equal to so much of the credit allowed by section 35 (relating to dependent care services credit) as is treated under section 6401(b) as an overpayment of tax."

(6) Subsection (d) of section 6611 of such Code is amended by striking out the caption and inserting in lieu thereof the following:

(d) ADVANCE PAYMENT OF TAX, PAYMENT OF ESTIMATED TAX, CREDIT FOR INCOME TAX WITHHOLDING, AND DEPENDENT CARE SERVICES CREDIT.—".

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by striking out the item relating to section 21.

(2) The table of sections for subpart C of such part IV is amended by striking out the item relating to section 35 and inserting in lieu thereof the following new items:

Sec. 35. Expenses for household and dependent care services necessary for gainful employment.

"Sec. 36. Overpayments of tax.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31 of the calendar year in which this Act is enacted.

SEC. 405. CHILDREN'S TAX CREDIT.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986, as amended by section 405, is further amended by redesignating section 36 as section 37 and by inserting after section 35 the following new section:

"SEC. 36. CHILDREN'S TAX CREDIT.

"(a) GENERAL RULE.—In the case of an individual who maintains a household which includes as a member 1 or more qualifying children, there is allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the child care expenses for each qualifying child for the taxable year.

"(b) LIMITATIONS.—

"(1) CHILD CARE EXPENSES.—The amount of child care expenses for each qualifying child incurred during any taxable year which may be taken into account under subsection (a) shall not exceed $750, and in no event shall a credit be taken for more than two qualifying children in any one year.

"(2) ADJUSTED GROSS INCOME OF TAXPAYER.—

"(A) IN GENERAL.—No credit shall be allowed under subsection (a) with respect to any taxpayer whose adjusted gross income for the taxable year exceeds the applicable amount.

"(B) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the applicable amount shall be determined in accordance with the following table:

"In the case of any taxable year beginning in:	The applicable amount is:
1989	$16,000
1990	17,000
1991	18,000
1992	19,000
1993	20,000.

"(c) QUALIFYING CHILD.—For purposes of this section, the term 'qualifying child' means any individual—

"(1) who is a dependent (as defined in section 152) of the taxpayer,

"(2) who is a child (as defined in section 151(c)(3)) of the taxpayer, and

"(3) who has not attained age 4 at the close of the calendar year in which the taxable year of the taxpayer begins.

"(d) CHILD CARE EXPENSES.—

"(1) IN GENERAL.—The term 'child care expenses' means amounts paid for the care of a qualifying child, but only if such amounts are incurred to enable the taxpayer to be gainfully employed for any period for which there are 1 or more qualifying children with respect to the taxpayer. Such term shall not include any amount paid for services outside the taxpayer's household at a camp where the qualifying child stays overnight.

"(2) DEPENDENT CARE OUTSIDE THE TAXPAYERS HOUSEHOLD.—Child care expenses described in paragraph (1) that are incurred for services provided outside the taxpayer's household shall be taken into account only if such services comply with all applicable laws and regulations of a State or unit of local government.

"(e) SPECIAL RULES.—For purposes of this section—

"(1) MAINTAINING HOUSEHOLD.—An individual shall be treated as maintaining a household for any period only if over half the cost of maintaining the household for such period is furnished by such individual (or, if such individual is married during such period, is furnished by such individual and his spouse).

"(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and his spouse file a joint return for the taxable year.

"(3) MARITAL STATUS.—An individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

"(4) CERTAIN MARRIED INDIVIDUALS LIVING APART.—If—

"(A) an individual who is married and who files a separate return—

"(i) maintains as his home a household which constitutes for more than one-half of the taxable year the principal place of abode of a qualifying child, and

"(ii) furnishes over half of the cost of maintaining such household during the taxable year, and

"(B) during the last 6 months of such taxable year such individual's spouse is not a member of such household,

such individual shall not be considered as married.

"(5) SPECIAL DEPENDENCY TEST IN CASE OF DIVORCED PARENTS, ETC.—If paragraph (2) or (4) of section 152(e) applies to any child with respect to any calendar year, in the case of any taxable year beginning in such calendar year, such child shall be treated as a qualifying child with respect to the custodial parent (within the meaning of section 152(e)(1)), and shall not be treated as a qualifying child with respect to the noncustodial parent.

"(6) PAYMENTS TO RELATED INDIVIDUALS.—No credit shall be allowed under subsection (a) for any amount paid by the taxpayer to an individual—

"(A) with respect to whom, for the taxable year, a deduction under section 151(c) (relating to deduction for personal exemptions for dependents) is allowable either to the taxpayer or his spouse, or

"(B) who is a child of the taxpayer (within the meaning of section 151(c)(3)) who has not attained the age of 19 at the close of the taxable year.

For purposes of this paragraph, the term 'taxable year' means the taxable year of the taxpayer in which the service is performed.

"(f) NO CREDIT ALLOWED IF DEPENDENT CARE CREDIT ALLOWED.—No credit shall be allowed under this section to a taxpayer for the taxable year if a credit is allowed to such taxpayer under section 35 for such year.".

(b) CLERICAL AMENDMENT.—The table sections for subpart C of part IV of subchapter A of chapter 1 of such Code, as amended by section 405, is further amended by striking the item relating to section 36 and inserting in lieu thereof the following new items:

"Sec. 36. Children's tax credit.

"Sec. 37. Overpayments of tax.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31 of the calendar year in which this Act is enacted.

TITLE V—MISCELLANEOUS

SEC. 501. COMMUNITY SERVICES BLOCK GRANT ACT.

Section 674 of the Community Services Block Grant Act (42 U.S.C. 9903) is amended—

(1) in subsection (a)(1)(A), by inserting ", and makes the grants authorized under subsection (b)(3)" after "(b)(1)"; and

(2) in subsection (b), by adding at the end thereof the following new paragraph:

"(3) Of the amounts appropriated under section 672, the Secretary shall reserve $10,000,000 in each fiscal year to make grants to States that fund local child day care projects to enable such States to improve the provision of affordable and quality child care services within such State. To receive a grant under this paragraph, a State shall comply with the provisions of this Act.".

SEC. 502. CHILD CARE UNDER THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

Section 105(a)(8) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting "(A)" after "except that"; and

(2) by inserting before the semicolon the following: "(B) an additional amount of any assistance under this title may be used for child care, but in no case may more than 20 percent of the amount of assistance under this title be used for activities under this paragraph".

SEC. 503. FEDERAL EMPLOYEE CHILD CARE STUDY

Not later than 90 days after the date of the enactment of this Act, the Director of the Office of Personnel Management shall conduct a study, and prepare and submit, to the appropriate Committees of Congress, a report concerning—

(1) the feasibility of offering child and adult day care as a benefit to Federal employees through health insurance plans under chapter 89 of title 5, United States Code;

(2) the ability of health insurance providers to subcontract the management of child and adult care facilities; and

(3) the approximate cost to the Federal Government, to Federal employees, and to health insurance providers of offering child and adult day care as a benefit of Federal employment.

SEC. 504. STUDY OF FEDERAL CHILD CARE EFFORTS.

(a) STUDY.—The Secretary of Health and Human Services, in conjunction with the heads of other relevant Federal agencies and departments, shall conduct a study of all child care programs and activities that receive assistance from the Federal government.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary of Health and Human Services shall prepare and submit, to the appropriate Committees of Congress, a report based on the study conducted under subsection (a), that shall include—

(1) the number of families served under child care programs in effect on the date of enactment of this Act;

(2) recommendations by the Secretary to improve the operation of such programs; and

(3) a plan for the coordination of all Federal child care efforts.

SEC. 505. SENSE OF THE SENATE.

It is the sense of the Senate that States should be required to assist low and moderate income families in finding affordable and quality child care services.

By Mr. HELMS (for himself, Mr. SHELBY, Mr. SPECTER, Mr. KERRY, Mr. LUGAR, Mr. DECONCINI, Mr. DOLE, Mr. WEICKER, Mr. THURMOND, Mr. BOND, Mr. BURDICK, Mr. EXON, Mr. DURENBERGER, Mr. INOUYE, Mr. CHAFEE, Mr. LEVIN, Mr. SANFORD, Mr. WILSON, Mr. MOYNIHAN, Mr. MCCAIN, Mr. PRESSLER, Mr. HOLLINGS, Mr. PELL, Mr. HEFLIN, Mr. PRYOR, Mr. STENNIS, and Mr. HUMPHREY):

S.J. Res. 364. Joint resolution to designate the week of October 2 through October 8, 1988, as "National Paralysis Awareness Week"; to the Committee on the Judiciary.

NATIONAL PARALYSIS AWARENESS WEEK

Mr. HELMS. Mr. President, today I am offering a joint resolution designating the week of October 2, 1988, as "National Paralysis Awareness Week"—and I know that those Senators who haven't yet agreed to cosponsor it will want to do so shortly.

Mr. President, each year there are more than 14,000 spinal cord injuries, the leading cause of which is automobile accidents. The average age of individuals receiving a spinal cord injury is 19, and young males are the victims of 80 percent of all injuries.

In 1985, a former all-pro Miami Dolphin, and a personal friend of many Senators, Nick Buoniconti, introduced me to the Miami Project to Cure Paralysis. The Miami Project is the largest, most comprehensive and advanced center in the world committed to finding a cure for paralysis.

The project's two scientific components, basic research and applied research, having received international recognition, comprise a significant part of this exceptional operation. The basic research component consists of a team representing all major areas in the study of the central nervous system. Each of the team's members bring their own expertise to develop novel approaches to the treatment of spinal cord trauma and other central nervous system disorders.

The applied research component consists of a leading group of scientists devoted to the care and rehabilitation of paralyzed patients.

The scientific components are actively supported by the Miami Project's fundraising and special events unit and a strong board of directors. Key fundraising events are hosted nationwide on an ongoing basis, one of which is "The Annual Great Sports Legends Dinner," to be held on October 4, 1988, in New York City. To heighten awareness of the need to find a cure for paralysis, an aggressive public relations and media campaign have been initiated by folks associated with the project.

Mr. President, there's a touching story involving Nick Buoniconti's son, Marc. In 1985, while playing in a college football game, Marc dislocated his neck and suffered a complete lesion of the spinal cord, leaving him paralyzed from the chest down.

Mr. President, I ask that the article, "three in a half-million," which appeared in the The Kansas City Times on January 25, be printed in the RECORD at this point. Then I will resume my comments.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Kansas City Times, Jan. 25, 1988]

3 IN A HALF-MILLION—MARC BUONICONTI TRANSFORMS HIS PARALYSIS INTO BEACON OF HOPE AND SUPPORT FOR OTHERS

(By Kent Pulliam)

MIAMI.—Blinking his eyes repeatedly, he barely managed to stem the tears. "I know exactly what he is going through," Marc Buoniconti said, shrugging his shoulders as he does whenever he talks. "It's so hard.

". . . It's so hard."

Garrett Conrad sat immobile in a wheelchair not 15 feet away on the other side of the door paralyzed from the neck down. His head was held in place by a metal brace. A trachea tube ran through his neck and down his esophagus, enabling a ventilator to breathe for him. He spoke in a coarse whisper barely audible 3 feet away, but his eyes said worlds about the frustration of being confined to a world no larger than the 20-by-20-foot hospital room.

It was only two years ago Buoniconti lived this hell himself. Bed No. 1 just down the hall was his home for five months. He, too, was paralyzed from his neck down after suffering a broken neck during a football game his sophomore year at The Citadel.

He still is.

"I have something to offer to the people over here," said Buoniconti, who in the two years since his injury has fought his way off a ventilator and is living as normal a life as possible for someone whose arms and legs lay limp and useless.

"They know I went through the same things they are. So I guess they feel more comfortable.

"People can say: 'Oh, I understand how you are feeling.' Well, bull! You dont' understand what I am feeling or going through.

"But they know I understand. It's kind of a camaraderie. That's bad. You don't want to be comrades in paralysis, but it's a family situation. It's like growing together."

On the morning of Oct. 26, 1985, Marc Buoniconti dressed himself, fed himself breakfast. It was the last time he did either for himself.

Just over 12 hours later, as Herman Jacobs tried to convert a third-and-1 situation for East Tennessee State, Buoniconti came face to face with tragedy. Jacobs ran to his right, was hit in the backfield, lost his balance and dived forward. At the same time Buoniconti, playing middle linebacker, shoved the center away, pursued Jacobs left and hit him, helmet on Jacob's left hip.

The impact snapped the second and third cervical vertebrae, a broken neck.

The young man who looked back at him from the mirror that morning, a picture of health, had become another statistic among the half-million Americans who have suffered spinal-cord injuries.

Another 10,000 to 12,000 suffer similar injuries every year. Most sustain those injuries in automobile accidents. In some areas of the country, diving produces almost as many of these types of injuries. Many who suffer spinal-cord injuries are active youth with their lives ahead of them.

Buoniconti fit the profile perfectly.

"I knew I had broken my neck" Buoniconti told interviewers a year after his injury. "But I felt no pain. I remember lying there for what seemed like forever. Our trainer, Andy Clawson, came over. He saw that my legs were floppy and all twisted. He looked at me with eyes as big as golf balls.

"He knew I was breathing just enough to keep alive, gasping. Because I had broken my neck at the third cervical vertebra, I initially lost the use of my phrenic nerves, the ones that control the diaphragm. I had so little breath that I couldn't make any vocal sounds. I felt like I was suffocating."

Buoniconti is adapting as well as he can. He is tanned, athletically minded.

He lives at his parent's newly purchased home in Coral Gables, Fla. It was remodeled into a duplex, so he has living quarters on one side. His wing of the house has a kitchen and separate entrances. He has five full-time nurses, each of whom works a 12-hour shift. He is attending classes at the University of Miami, majoring in psychology. He was on the dean's list one semester and now carries about a 3.0 grade average.

He is the national spokesman for the Miami Project to Cure Paralysis, traveling around the country to appear at fund-raising events such as the Great Legends of Sports dinner in New York. Recently he was in Dallas for the national collegiate flag football championships, a benefit for the Miami Project.

He has had opportunities and help many quadriplegics are not offered. He started from a similar proving ground, his being the

COMMUNICATIONS

AMERICAN MEDICAL ASSOCIATION
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The Honorable Lloyd Bentsen
Chairman
Committee on Finance
United States Senate
205 Dirksen Building
Washington, DC 20510

October 12, 1988

Re: Submission for the Record of the September 22, 1988, Committee on Finance Hearing on the Federal Role in Child Care

Dear Chairman Bentsen:

The American Medical Association commends you and the members of the Committee on Finance for your interest in the issue of child care and asks that these comments be included in the record of the Committee's September 22, 1988, hearing on the subject of the Federal Role in Child Care.

The number of single-parent families and families in which both parents work has increased rapidly in recent years. The AMA believes that proper child care, when it is necessary, should be available to these families. To best accomplish this goal, federal child care policies should encourage business and industry to establish employee child care programs and facilities on or near their premises when possible.

The AMA has reviewed and supports generally the "Child Care Services Improvement Act of 1988" (S. 2084), introduced by Senator Orrin Hatch. The bill would encourage organizations, businesses, and individuals to establish and expand child care programs through state-administered block grant programs and by providing tax incentives. If enacted, this proposal would be a good first effort for the federal government in assisting states to develop and support adequate child care programs.

The AMA will continue to examine other legislative proposals on child care, with a special concern toward helping make child care services available to lower-income working families. The AMA looks forward to the conclusions or proposals arising out of the deliberations of the Committee on Finance that will help this nation come to terms with an important issue concerning the overall health and welfare of children.

Sincerely,

James H. Sammons, M.D.

STATEMENT OF THE
BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS

on
THE FEDERAL ROLE IN CHILD CARE

to the
COMMITTEE ON FINANCE
UNITED STATES SENATE

September 22, 1988

The Baptist Joint Committee on Public Affairs is composed of representatives from eight national cooperating Baptist conventions and conferences in the United States. They are: American Baptist Churches in the U.S.A.; Baptist General Conference; National Baptist Convention of America; National Baptist Convention, U.S.A., Inc.; North American Baptist Conference; Progressive National Baptist Convention, Inc.; Seventh Day Baptist General Conference; and Southern Baptist Convention. These groups have a current membership of nearly 30 million.

Through a concerted witness in public affairs, the Baptist Joint Committee (hereinafter BJC) seeks to give corporate and visible expression to the free exercise of religion for all persons, the separation of church and state, and the relevance of Christian concerns to the life of this nation. Because of the congregational autonomy of individual Baptist churches, the BJC does not purport to speak for all Baptists.

The BJC is filing this testimony in response to statements made by witnesses before this committee implying that any child care program that forbade sectarian purposes or activities would be "anti-religious." Specifically, this committee heard testimony from Mr. Forest D. Montgomery, Counsel, Office of Public Affairs, National Association of Evangelicals, stating that "[W]e were stunned by the anti-religious provisions in the ABC bill as introduced. The June 28, 1988, substitute changes the language but the meaning remains essentially the same -- no religious day care centers need apply. This hostility to religiously based day care cannot be squared with our first liberty -- freedom of religion." The startling implication of this statement is that freedom of religion includes the right to federal subsidies. Not only does it suggest that churches enjoy such an entitlement but apparently with no strings attached.

It is true that the Act for Better Child Care Services (S.1885) cannot be squared with our first liberty, but not because it exhibits hostility to religion. To the contrary, S.1885 is constitutionally impermissible because it would provide churches and other pervasively sectarian institutions with direct public financial assistance. The Supreme Court as recently as June, 1988, reaffirmed its longstanding commitment to prohibiting any direct financial assistance to pervasively sectarian institutions, even if those funds will be expended for secular social services. See Bowen v. Kendrick, ____ U.S. ____, 108 S.Ct. 2562 (1988). While the Court in Bowen upheld the award of federal grants to organizations that were merely "religiously affiliated," the opinion, written by the Chief Justice, made clear that churches and synagogues need not apply. "Only in the context of aid to 'pervasively sectarian' institutions have we invalidated an aid program on the grounds that there was a 'substantial' risk that aid to these religious institutions would, knowingly or unknowingly, result in religious indoctrination. In contrast, when the aid is to flow to religiously affiliated institutions that were not pervasively sectarian . . . , we refused to presume that it would be used in a way that would have the primary effect of advancing religion." Bowen v. Kendrick, supra, at 2576.

"In particular, it will be open to appellees on remand to show that AFLA aid is flowing to grantees that can be considered 'pervasively sectarian' religious institutions, such as we have held parochial schools to be." Bowen, supra, at 2580.

Because the Act for Better Child Care Services provides direct subsidies for centers owned and operated by pervasively sectarian institutions such as churches, synagogues and parochial schools, there is little doubt that the program, if enacted, would be struck down as applied to these institutions.

The suggestion that church-run child care centers should receive the same level of federal financial support as their secular counterparts is a radical departure from more than four decades of Supreme Court precedent. The Court has held repeatedly that parochial schools and other pervasively sectarian institutions are *not* entitled to such support [*e.g.*, *Aguilar* v. *Felton*, 473 U.S. 402 (1985); *School District of the City of Grand Rapids* v. *Ball*, 473 U.S. 373 (1985); *Meek* v. *Pittenger* 421 U.S. 349 (1975); *Lemon* v. *Kurtzman*, 403 U.S. 602 (1971)]. The BJC urges this committee to disregard the statements of those who would seek to use public funds for private and parochial purposes and to rely instead upon the extensive Supreme Court precedent when drafting child care legislation.

Respectfully submitted,
Oliver S. Thomas
Oliver S. Thomas
General Counsel

NATIONAL ELIGIBILITY WORKERS ASSOCIATION
PO Box 1615, Beckley, West Virginia 25802-1615

National Eligibility Workers Association (NEW)
Policy Position Statement
Federal Role in Child Care
September 22, 1988

The following outlines the basic policy position statements from NEW in reference to establishing federal guidelines in regards to child care. This prospective is from the Aid to Families with Dependent Children program legislative initiative for Welfare Reform HR 1720.

1. Child Care Work Registration

   A parent of a child less than three years of age must personally provide care for the child or register for work. It is important that the parent who is not providing direct care be registered as they are available to participate in work related activities.

2. Child Care Availability

   Child care should be made available to all individuals including those engaged in self initiated activities. If an individual secures employment or enters the educational system through their own initiative, then they should benefit by being included in the child care provisions.

3. Child Care Rates

   There should be one set rate for child care as administering a scale of rates based on age could increase our error rates. Determining eligibility and managing a caseload becomes quite complex every time rate charts are introduced into the process. We recommend to take the simple approach.

4. Child Care Reimbursement Rate

   If the rate concept is adopted, then the states should be reimbursed up to the market rate. States should be reimbursed up to the market rate in any concept that is developed as it creates a hardship if one area is more expensive that another.

5. Child Care Standards

   Child care must meet standards established by the states to insure that basic health and safety requirements are met. There should be minimum federal guidelines established which outline the basic child care minimum standards. No amounts can be spent for child care unless the facility provides parental access and posts in public view a telephone number to call in complaints.

6. Child Care Transitional Payments

The length of transitional child care benefits (paid after a termination of AFDC) should be 12 months. It takes that much time for a permanent resolution of the factors influencing employment to be brought under control. It will give eligible individuals the opportunity to establish a lasting work pattern.

7. Child Care Sunset Provision

The sunset provision on child care should be permanent.

8. Child Care Disregard

There should be an increase in the amount of the child care disregard with an automatic adjustment in the standard deduction. States may have the option to increase various disregards, but must do so out of their own funding sources. Federal minimum payments can be established and states should be allowed to augment child care rates at their own expense.

PETER PAUL & LORI MENDEL
18172 Rainier Drive
Santa Ana, California 92705
(714) 838-3533

September 28, 1988

Laura Wilcox
Hearing Administrator
SD-205
Dirkson Office Building
Washington, D.C. 20510

Dear Ms. Wilcox:

I am writing you with regards to the federal government's role with respect to childcare services and the review of several proposed law changes on issues relating to childcare, including the amendments to the childcare tax credit.

I understand that a hearing is scheduled for September 22, 1988. Since I will not be able to be present I would like to express my views and suggestions with this writing. Please include this letter in the printed hearing record and circulate copies of this letter to all the members of the Senate Finance Committee.

There is a tremendous need to assume proper and adequate childcare in the United States.

There are many proposals currently floating about. Unfortunately, they do not address the real need for adequate and reliable childcare. One thing they all seem destined to do is increase the bureaucratic paper shuffling. That is neither beneficial for the children nor fair to the civil service personnel.

But there is a fairer, simpler way. A system already exists and is in place that would provide high quality care for our children and at substantially less expense to the government, and in the end, to us the taxpayers.

I propose the following:

1. For Single Parent Families.

   A tax credit equal to the greater of (1) the actual cost of providing childcare services, or (2) an amount equal to eight (8) hours per day times the current prevailing federal minimum wage rate computed on the basis of fifty (50) weeks per year at five (5) days per week.

2. For Two Couple Families.

   A tax credit, when one of the parents is not employed, equal to an amount equal to eight (8) hours per day times the current prevailing federal minimum wage rate computed on the basis of fifty (50) weeks per year at five (5) days per week.

3. The credit is available for each child under the age of eighteen (18) years.

4. Any portion of the credit that cannot be used to offset any tax liability may be carried forward to the following year, or refunded to the taxpayer.

This proposal does not discriminate on the basis or sex, wealth or poverty.

This proposal does not increase nor require any additional bureaucracy.

This proposal insures that the highest quality childcare is available for all.

This proposal is a revenue enhancer as it provides the stimulus for new jobs and growth.

This proposal is environmentally sound.

This proposal accommodates all lifestyles.

Thank you for your consideration.

Yours very truly,

Peter Paul Mendel

Peter Paul Mendel

Rebecca Steichen Bolene, CPA
1900 Willow Creek Rd.
Edmond, Oklahoma 73013
(405) 348-1879

Member: American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants
American Society of Women Accountants

RE: Governments role with Respect to Child Care

From what I have seen as a Certified Public Accountant in the field of Child Care, is that the very poor are supported in their payments of child care, the low salaried still receiving an earned income credit for single head of household parents, and the working wife paying more than her fair share of our federal tax budget.

The working wife, if she is self employed receives a child care credit of 20%, while she pays a tax of 28% to the federal government, 13.2% to social security, and in Oklahoma, 6% to the state (a percentage recovered through deductibility). This is very unfair to the people who are entrepreneurs and want to do their own business. Many of these self employed women cannot find good employers who are understanding about the needs of women with small children. So society makes us either bear the burden of paying the tax, receiving no full deduction for child care, or staying at home and not attribute to the growth of our economy.

Women who have employers still are not receiving a good enough tax break for child care. Typically, their tax rate is 28%, FICA is 7.51%, and in Oklahoma, state tax again is 6% (with a small amount received back because of deductibility). Their maximum credit is often 20%.

Additionally, the amount deductible is limited to $2,400 per child, a very old limit that is not in line with the times. If a working woman wanted to hire a nanny full time, I feel the entire amount should be deductible.

Finally, I feel that the federal government should stay out of the child care business, and only provide tax credits for those who work. If they must get into child care, it should be limited to the poor who cannot afford to get child care.

TESTIMONY TO THE
SENATE FINANCE COMMITTEE
BY PHYLLIS SCHLAFLY
OCTOBER 4, 1988

I am Phyllis Schlafly, president of Eagle Forum, a national volunteer organization of 80,000 members who are concerned about public policies affecting the American family.

It is important to differentiate between day care services to three very different types of families: (1) the $3 billion of day care services we currently provide to those on various kinds of public assistance, (2) the $3.9 billion made available through the Child Care Tax Credit, of which 83% is used by upper-income, two-paycheck families, and (3) the new billions of dollars which are sought to be appropriated through various bills (such as Dodd-Kildee) to provide day care services to employed women of all income levels. I will address myself primarily to this third type because it is the area of current controversy.

First, let us consider the 54% of children under age 6 who are cared for by their own mothers in their own homes. The median family income of single-paycheck families with a fulltime mother is $25,803, about $11,000 less than the two-income couples who are vociferously demanding that day care be federally subsidized. Except for S.2187 (Wallop), and S.2620 (Domenici), the pending day care legislation would require that the mother be employed (or seeking employment) and would exclude low-income families with fulltime mothers from child care benefits.

We absolutely oppose any legislation that divides mothers into two classes -- employed mothers and fulltime homemakers -- and then subsidizes one class but not the other, especially when most of those denied benefits have lower incomes than the two-paycheck families who are favored in the legislation. This is as socially divisive as separating Americans into blacks and whites, and it should not be done because it is inherently discriminatory. Furthermore, it is grievously unjust to tax single-paycheck families that are caring for their own children, often at considerable sacrifice, in order to subsidize day care for two-paycheck families.

Now let's look at the 45% of children whose mothers are employed and therefore need child care services by someone else. According to the best available research, 95% of day care is unlicensed and unregulated. Some of this is care given by the child's relatives (a father working a different shift, a grandmother, older siblings, etc.), but much of it is provided by what we call "neighborhood day care mothers." As a practical matter, this informal, privately-arranged and mother-supervised type of day care is what most families voluntarily choose.

Only about 10% of children are placed in government-licensed, government-regulated day care of the type that would be subsidized in most of the pending bills.

All available evidence shows that unregulated day care by neighborhood day care mothers is every bit as good quality as licensed, regulated day care. Neighborhood day care mothers are preferred because they are personally known to the parents, more convenient, and the child sees the same caregiver every day. In addition, the children are far less apt to catch contagious "daycare diseases" because there are fewer children in the household than in institutional care. It is well established that the incidence of contagious diseases rises very rapidly with a larger number of children in day care, especially when they are so young that they have not yet developed immunity.

All the pending day care bills which include subsidies for day care -- whether in the form of "vouchers," "certificates," direct grants to providers, or grants to the states that in turn would dole out the funds -- would subsidize only licensed, regulated day care. Some bills also insist on government training for day care personnel. Some bills appear to require only "registration" of day care providers but, I can assure you, America is not willing to accept a day care policy that would require the registration of grandmothers.

I hope you will consider the social upheaval that these day care bills would cause, as well as the injustice to low-income women. In our free society, employed mothers have made it clear that they prefer care by relatives or by neighborhood day care mothers. Yet, these choices will be discriminated against in most of the pending bills.

To illustrate how this will work in action, I want to share with you a typical letter among the many unsolicited letters I have received since I began speaking out on this issue. This letter is from Minneapolis, Minnesota:

> I am a single mother sole supporter of my two-year-old daughter. I make $16,000 a year as a secretary and have a definite struggle financially.
>
> When I was on Greater Minneapolis Day Care Association (day care assistance), I was only allowed to choose from centers or homes that were licensed and contracted. All of those that I checked out had far too many children for what the staff could handle. One lady I called had 12 kids and only had someone to come in and help part time. I only paid $155 a month, but I felt it was very cold, very institutionalized, and my daughter was neglected and ignored.
>
> Now I am paying $75 a week for a private home from a woman who has two of her own kids and just takes in my Cathy. I am paying one-third of my take home pay to day care -- but it is worth it to have my daughter in a Christian, loving home.
>
> I think the government only likes to pay for what it supports. It forces a lot of single moms like myself to choose inadequate, institutional day care purely for financial reasons. The only other option is welfare, and women like me with pride won't even consider that.

Here is another typical letter, this one from Joseph City, Arizona:

> There are not any day care centers at present in this immediate area -- only home care by individuals. Most of them don't charge more than $1 per hour, some even less. Most do it just for the company.
>
> One day care center in the closest community (ten miles away) closed last year because of too many government regulations that they felt they could not comply with and still make a go of the business.

There are estimated to be 1,650,000 neighborhood day care mothers today who are unlicensed and unregulated. Any legislation that requires these mothers to be licensed -- or even registered -- would put our nation into a totalitarian process that is completely unacceptable in a free society. Yet, that is what some pending bills would require. Staff personnel of some Congressmen have stated that they believe that relatives (even grandmothers!) and neighborhood day care mothers should be licensed, regulated and have government training before they are allowed to care for anyone else's children.

To subsidize institutional care, but discriminate against the informal in-home care that most low-income mothers prefer, will be perceived by the public as a ruse to force all babies into government-run day care centers and to control how they are treated and trained.

Subsidies for day care which can be used only in licensed or registered facilities will make quality day care less available and less affordable, but do nothing for low-income families. To give a low-income mother a "voucher" or "certificate" that can be spent only at higher-priced, secular, government-licensed centers will not only not help her financially, but will alienate everybody in the process.

Thus, if a low-income mother is given a $500 voucher that can be cashed only at a center where the average annual cost is $3,000, she is worse off than if she gets no voucher and continues to use care by a family member or neighbor where the average cost is only $1,500 a year. Subsidies or vouchers will benefit only the bureaucracy, day care institutions, and yuppie two-paycheck families who can afford high-priced institutional care. Left out in the cold will be the low-income families whom we really want to help.

Any system of subsidies, certificates or vouchers will inevitably invoke the Civil Rights Restoration Act, forcing every baby sitter who accepts a voucher to comply with federal standards for nondiscrimination about gender, handicap, and disease.

Low-income families would be also especially hurt by a voucher or subsidy system because it is certain to discriminate against religious day care for the same reason which the anti-religious lobby has successfully prevented religious schools from qualifying for publicly supported vouchers. This would be tragic because church-based day care is the most used and most wanted day care for low-income families in the inner cities. Vouchers or certificates would open a Pandora's box that would alienate millions of Americans.

If Congress wants to increase aid to families on public assistance, it can easily put more funds into any of the existing day care services for families on public assistance. But there is only one acceptable formula for the Federal Government in the area of child care for employed families:

Reduce the tax load on families with children and let them spend their own money for the child care of their own choice, without government busybodies telling them what kind of child care they must use. This can be accomplished by the Wallop bill, S.2187 (which would make the child care tax credit inclusive of all preschool children), or by the Domenici bill, S.2620 (which would make the child care tax credit inclusive of all children plus add additional benefits through the Earned Income Tax Credit). The Wallop and Domenici bills are weighted to give proportionately more benefits to low-income families.

THE URBAN INSTITUTE

MEMORANDUM

August 24, 1988

TO: Ken Yale

FROM: Roberta Barnes

SUBJECT: Simulations of Alternative Child Care Proposals

Enclosed are some summary tables of our analysis of alternative child care tax proposals (or per-child allowances) based on our microsimulation model known as TRIM2. There is a lot of material to digest here and I, or my associate Linda Giannarelli, would be happy to answer any questions that may arise in interpreting our findings.

Let me stress one rather technical point that is relevant for the context in which to view these findings. In our microsimulation model we use real data on households as the primary input--a file from the Current Population Survey. In this case the estimates are based on a sample representative of the U.S. population in 1985; all money variables are in 1985 dollars. What we did in our simulations was to take households, which were representative of the demographic and economic picture in 1985, and to impose the current tax law (that is, post-1986 tax reform) on the federal income tax portion of our simulations. That is, households were assumed to fill out their taxes as if the current law were in effect in 1985. This simulation forms the "Baseline" against which alternative child care (or child related) proposals can be compared.

As such, our simulations are not meant to be used as cost estimates of these various proposals. Rather, our primary interest has been to investigate the relative effects of the alternative proposals, i.e., how tax revenues are affected in one proposal relative to the "Baseline", or to assess the relative impact on the income distribution. I think the results viewed in this context are very interesting but I caution, again, against using our simulated figures to compare with cost estimates that may be circulated by the sponsors of these proposals or by other analysts. By definition, those people would have been aiming to provide figures appropriate for some future year--the year the proposal is to be implemented presumably.

Finally, I mentioned that we are giving a briefing on our results on September 8 at 2:00 in Room 430 Dirksen Building. The briefing was requested by various Senate staffers and is organized by HHS, the primary funder of our simulation analyses. Please feel free to attend or send a staff member. We hope to have preliminary estimates of the Bush proposal to add to our package of materials.

In the meantime, do not hesitate to call me at 857-8658 or my associate, Linda Giannarelli at 857-8553 with any questions that may arise.

BEST AVAILABLE COPY

Main Features of Alternative Childcare Credit Proposals Simulated in TRIM2

1985 Population and Income Distribution Assumed in All Simulations

Simulation	Main Features of Simulation	Summarized Simulation Results (All simulations in 1985 dollars)	Families Affected	How Simulation Differs From Formal Proposal
(1) Baseline	1988 Tax Law—1985 income and population distributions. Non-refundable Dependent Care Tax Credit. Under $10,000 AGI, families may claim 30% of expenditures on dependent care up to a ceiling of $2,400 for 1 dependent ($4,800 for 2 or more dependents). The credit is then reduced by one percentage point for each $2,000 of income between $10,000 and $28,000. Over $28,000 the rate allowed is 20%. This results in a maximum credit of: AGI ≤ 10,000 $720/1,440 AGI > 28,000 $480/960	Units Affected: 7.9 million Average benefit per unit: $336 Total Credit/Allowance: $2.6 Billion Total Effect on Tax Revenue: N/A	Greatest benefit to 2-parent families in upper-income brackets.	Used as a standard against which other simulations are compared.
(2) Refundable	Same as Baseline except credit is fully refundable. At the point of zero tax liability tax units can receive a "refund" for any unrecovered amount of credit for which they are eligible.	Units Affected: 9.6 million Average benefit per unit: $351 Total Credit/Allowance: $3.4 Billion Total Effect on Tax Revenue: $-.7 Billion	Increases the number of eligible families. Redistributes some money to lower-income families. Bulk of the credit still goes to those with higher incomes.	
(3) Phil Robins Proposal	Refundable. Allows tax units to claim a credit of 80% of actual expenses for AGI up to $10,000; phased down to 60% of actual expenses for AGI up to $20,000; phased down to 40% of actual expenses for AGI up to $30,000; phased down to 20% of actual expenses for AGI up to $40,000; phased down to 10% of actual expenses for AGI up to $50,000; phased down to 0% of actual expenses for AGI up to $60,000+.	Units Affected: 8.0 million Average benefit per unit: $712 Total Credit/Allowance: $5.7 Billion Total Effect on Tax Revenue: $-3.1 Billion	Greatly increase the amount of funds received by low-income families while limiting credit to upper-income units. The high cost of this bill is due largely to an increase in the average credit.	Credit ceilings in bill were slightly higher than 88 law. However, simulations used 88 ceilings. This difference would have negligible effect on estimates.

Main Features of Alternative Childcare Credit Proposals Simulated in TRIM2 (continued)

1985 Population and Income Distributions Assumed in All Simulations

Simulation	Main Features of Simulation	Summarized Simulation Results (All simulations in 1985 dollars)	Families Affected	How Simulation Differs From Formal Proposal
(4) Changing Ceilings on Current Law	Non-refundable. Raises allowable ceilings on expenditures for dependent care to $3,000 for 1 dependent; $6,000 for 2 or more. Maximum credit allowed: AGI ≤ 10,000 $900/1,800 AGI ≥ 28,000 $600/1,200	Units Affected: 7.9 million Average benefit per unit: $339 Total Credit/Allowance: $2.7 Billion Total Effect on Tax Revenue: $-.02 Billion	Under this proposal there are no significant changes from current laws.	
(5) Dole Bill	Non-refundable credit in the amount of 30% of actual expenses for AGI up to $10,000; phased down to 20% of actual expenses for AGI up to $30,000; steady at 20% of actual expenses for AGI up to $50,000; phased down to 0% of actual expenses for AGI up to $80,000.	Units Affected: 7.6 million Average benefit per unit: $319 Total Credit/Allowance: $2.4 Billion Total Effect on Tax Revenue: $+.24 Billion	Families with 1-parent realize small credit-increases while 2-parent families have their credit reduced.	Ceilings in bill were slightly higher than 88 law. However, simulations used 88 ceilings. This difference would have a negligible effect on estimates.
(6) Irv Garfinkle	Refundable. Tax units with AGI < $8,000 eligible for a credit based on hours worked of secondary earner (or single parent). Tax unit may claim maximum of (1) $1 per hour worked for 1 child; $2 per hour worked for 2 or more children; or (2) actual child care expenses, up to ceilings of $2,400/4,800. For tax units with AGI > $8,000, current law is in effect with refundable feature.	Units Affected: 9.6 million Average benefit per unit: $488 Total Credit/Allowance: $4.7 Billion Total Effect on Tax Revenue: $-2.0 Billion	This proposal will redistribute more money to low-income households, and will not affect upper-income families.	Proposal states a phase-in between hours-worked credit method and current law for AGI between $8,000 and $20,000.
(7) Simple Per Child	Refundable. Eliminates the personal exemption and the dependent care credit for all children under 15. Replaces these with a $700 credit per child under age 15 for all tax units regardless of employment status.	Units Affected: 29.8 million Average benefit per unit: $1,114 Total Credit/Allowance: $33.2 Billion Total Effect on Tax Revenue: $-10.7 Billion	Lower-income families receive a much larger credit. Many more families in all income groups are eligible for the credit.	Most proposals have an age limit on eligible children. Many proposals are ambiguous on the status of the personal exemption.

Main Features of Alternative Childcare Credit Proposals Simulated in TRIM2 (continued)

1985 Population and Income Distributions Assumed in All Simulations

Simulation	Main Features of Simulation	Summarized Simulation Results (All simulations in 1985 dollars)	Families Affected	How Simulation Differs From Formal Proposal
(8) Wallop, Holloway Proposal	Refundable. Eliminates current dependent care credit and replaces with per-child credit. For children under 6, if AGI < 18,000, credit=$400 per child AGI < 21,000, credit=$350 per child AGI < 24,000, credit=$300 per child AGI < 27,000, credit=$250 per child AGI < 30,000, credit=$200 per child AGI over 30,000, credit=$150 per child In no instance is the total amount of credit allowed greater than Social Security payroll tax amount. Important differences from current law: only one parent needs earnings; no child care expenditures required.	Units Affected: 14.5 million Average benefit per unit: $283 Total Credit/Allowance: $4.1 Billion Total Effect on Tax Revenue: - $1.5 Billion	Redistributes money toward single-parent low-income families. Many more low-income families are eligible for the credit.	(1) Formal proposal specifies eligible children as those below compulsory school age. (This age may vary by state and locality.)

Main Features of Alternative Childcare Credit Proposals Simulated in TRIM2 (continued)

1985 Population and Income Distributions Assumed in All Simulations

Simulation	Main Features of Simulation	Summarized Simulation Results (All simulations in 1985 dollars)	Families Affected	How Simulation Differs From Formal Proposal
(9a) Schulze Toddler Credit, 1989-1991 rules	Refundable. Under the phase-in rules, unit chooses better of (child care credit for all children) or (toddler credit for those 0-5 plus child care credit for any older children). EITC is lost when toddler credit is taken. AFDC units cannot take toddler credit. Credit = (sum of applicable percents) * (earned income up to $7000) Applicable percents are .15 for first toddler, .05 for 2nd, 3rd, and 4th toddlers. If earnings or AGI exceed $9000, the credit is phased out, but is never reduced below $250 per child. Differs from current child care credit in two important ways: (1) only one parent needs to have earnings for the unit to qualify, and (2) no child care expenditures are necessary to qualify for the toddler credit. Note that while the toddler tax credit itself is refundable, the child care tax credit remains non-refundable.	Units Receiving Child Care and/or Toddler Credit: 16.2 million Average benefit per unit: $426 Total Child Care plus Toddler Credit: $7 billion Total Effect on Tax Revenue: - $2.8 billion (Total effect on tax revenue is less than increase in child care credit because units getting the new credit lose any EITC they were receiving.)	Large increase in number of high-income families receiving credit; average amount also increases. If EITC is considered as a child-related tax credit, number of low-income families receiving child-related tax credits does not increase; average amount rises, but by smaller proportion than for high-income families.	(1) For small number of units, decision of which credit to take would involve complexities not captured by the simulation. (2) Written bill based phase-out on earnings, rather than the higher of AGI or earnings. (Oversight in bill.) (3) In computing dependent care credit, TRIM's child care expenditure amounts were not adjusted to apply to non-toddlers only.
(9b) Schulze Toddler Credit, 1993 rules	Final form of credit after phase-in period. Units no longer have choice of credits as in (9a). Toddlers are no longer qualifying dependents for purposes of the child care credit. Parameters of toddler credit are more generous than in phase-in years. Credit = (sum of applicable percents) * (earned income up to $8000) Applicable percents are .15 for first toddler, .10 for 2nd, 3rd, and 4th toddlers. If earnings or AGI exceed $8000, the credit is phased out, but is never reduced below $750 per child.	Units Receiving Child Care and/or Toddler Credit: 16.1 million Average benefit per unit: $835 Total Child Care plus Toddler Credit: $13 billion Total Effect on Tax Revenue: - $9.3 billion (Total effect on tax revenue is less than increase in child care credit because units getting the new credit lose any EITC they were receiving. A two-toddler unit with earnings of $5000, for example, is eligible for $1250 in toddler credit after the plan is fully phased in (.25 * 5000) but loses eligibility for $700 in EITC (.14 * 5000). In the baseline simulation, 8.6 million units used the EITC, receiving $3756 million in tax credit. When the toddler credit is fully phased in, the simulation shows $5.3 million EITC units, and $2265 million in EITC credit.)	Large increase in number of high-income families receiving credit, and in average amount of their credit. When EITC is considered as a child-related tax credit, number of low-income families receiving child-related credits does not increase; average amount rises, but by smaller proportion than for high-income.	(1) Written bill based phase-out on earnings, rather than the higher of AGI or earnings. (Oversight in the bill.) (2) In computing dependent care credit, TRIM's child care expenditure amounts were not adjusted to apply to non-toddlers only.

Main Features of Alternative Childcare Credit Proposals Simulated in TRIM2 (continued)

1985 Population and Income Distributions Assumed in All Simulations

Simulation	Main Features of Simulation	Summarized Simulation Results (All simulations in 1985 dollars)	Families Affected	How Simulation Differs From Formal Proposal
(10) Tauke Tax Credit	Refundable. No child care expenditures required. No earnings requirement, except for refund. No credit for children 6 or older. Current dependent care credit is eliminated except for units with AGI under $30,000. Such units can choose the better of the current-law credit or the Tauke credit for their children under 6. Credit equals (number children under 6) * (per-child amount) Per-toddler amount varies by AGI: starting at $400, falls by $20 for every $1000 in AGI over $20,000. At $40,000 the credit amount falls to $0. Amount of refund is capped at the unit's FICA tax amount. (Total credit may exceed FICA amount.)	Units Affected: 9.7 million Average benefit per unit: $346 Total Credit/Allowance: $3.4 Billion Total Effect on Tax Revenue: - $.7 Billion (effect of tax credit portion of bill only)	Higher-income families lose credit. Two-parent families with one worker, and those with no child care expenditures, gain credit. Average credit amounts are higher for lower-income families, lower for higher-income families.	(1) In calculating current dependent care credit, TRIM2's child care expenditure amount is not adjusted to apply to toddlers only. (2) Bill also includes child care "certificates" for low-income families, funds to states to study child care availability, tax credit for businesses that establish on-site or near-site child care, and reduction in FICA tax for self-employed family child care providers.

Source: The Urban Institute
Income Security and Pension Policy Center
2100 M Street, N.W.
Washington, D.C. 20037

Note: TRIM2 simulations are funded in large part by U.S. Department of Health and Human Services.
The data set used as input to the simulations was the March, 1986 Current Population Survey.

August 1, 1988

TRIM2 Simulations of Childcare Proposals

Summary Tabulations

(All dollar figures are in 85 dollars)

	1988 Current Law	Refundable Credit	Wallop-Holloway Credit	Schulze Credit, phase-in[1]	Schulze Credit, final[1]	Tauke Tax Credit[2]
ALL FAMILIES						
Total Units w/Credit Allowed Average Credit	7.885M $336	9.574M $351	14.544M $283	16.200M $426	16.105M $835	9.715M $346
Total Amount of Credit	$2.649B	$3.360B	$4.116B	$6.895B	$13.451B	$3.363B
Total Federal Taxes Paid	$319.697B	$318.990B	$318.238B	$316.919B	$310.385B	$318.984B
Net Change in Federal Revenues from 88 Law	— —	- $.7B -.2%	- $1.459B -.5%	- $2.778B -.9%	- $9.312B -2.9%	- $.713B -.2%
BY FAMILY TYPE						
2 parents-2 workers units with credit allowed Average Credit	5.785M $307	6.140M $308	7.590M $261	9.370M $387	9.322M $810	4.648M $326
2 parent-1 worker units with credit allowed Average Credit	.064M $102	.088 $133	4.516M $318	4.248M $443	4.248M $998	3.348M $369
1 parent-1 worker unit with credit allowed Average Credit	2.020M $425	3.316M $435	2.361M $281	2.552M $540	2.519M $654	1.645M $357

SOURCE: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.

Note: This work is funded in large part by the U.S. Department of Health and Human Services

1. In the toddler tax credit columns, "units with credit" counts units receiving the current dependent care credit and/or the toddler tax credit, and credit amounts combine both credits. Net change in federal revenue is less than change in total credit because units using the toddler credit become ineligible for the EITC.

2. In the Tauke tax credit column, "units with credit" counts units receiving the current dependent care credit or the proposed Tauke tax credit, and the credit amounts combine both credits.

TRIM2 Simulations of Childcare Proposals

August 1, 1988

Summary Tabulations

(All dollar figures are in 85 dollars)

	1988 Current Law	Refundable Credit	Phil Robins	Increase Ceilings	Dole Proposal	Garfinkel Proposal	Per-Child Credit
ALL FAMILIES							
Total Units w/Credit Allowed	7.885M	9.574M	8.025M	7.885M	7.552M	9.584M	29,811M
Average Credit	$336	$351	$712	$339	$319	$488	$1,114
Total Amount of Credit	$2.649B	$3.360B	$5.714B	$2.673B	$2.409B	$4.677B	$33.209B*
Total Federal Taxes Paid	$319.697B	$318.990B	$316.637B	$319.674B	$319.937B	$317.670B	$308.952B
Net Change in Federal Revenues from 88 Law	— —	- $.7B -.2%	- $3.06B -1.0%	- $.02B -0%	$.24B +0%	- $2.027B -.6%	- $10.7B -3.3%
BY FAMILY TYPE							
2 parents-2 workers units with credit allowed Average Credit	5.785M $307	6.140M $308	4.649M $466	5.785M $309	5.465M $276	6.162M $337	14.239M $1,082
2 parent-1 worker units with credit allowed Average Credit	.064M $102	.088M $133	.085M $315	.064M $102	.062M $104	.079M $361	7.759M $1,253
1 parent-1 worker unit with credit allowed Average Credit	2.020M $425	3.316M $435	3.264M $1,071	2.020M $432	2.008M $442	3.318M $765	5.298M $955
1 parent-0 worker** unit with credit allowed Average Credit	— —	— —	— —	— —	— —	— —	2.372M $1,224

SOURCE: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.

Note: This work is funded in large part by the U.S. Department of Health and Human Services.

*Total allowance does not take into account reduction in personal exemption allowed.

**A non-working head or spouse can legitimately claim a credit under current law if that person is a full-time students, or is disabled. The number of units affected by this rule is small and does not contribute substantially to the total credit allowed.

August 1, 1988

TRIM2 Simulations of Child-related Tax Proposals

Analysis of Benefits Provided by Dependent Care Credit and/or Per-Child Credit: Distribution of Tax Expenditure, by Level of Family Income[1]

(All dollar figures are in 1985 dollars)

Families, by Level of Income (percent of families in category)	1988 Current Law	Refundable Credit	Wallop-Holloway Credit	Schulze Credit, phase-in[2]	Schulze Credit, final[2]	Tauke Tax Credit[3]
All Families						
$0 - $12,000 (30%)	3.3	17.2	22.3	20.7	12.7	23.2
$12,001 - $20,700 (20%)	20.3	21.5	31.9	21.7	20.6	40.5
$20,701 - $32,050 (20%)	27.1	22.2	22.9	22.6	27.0	32.1
$32,051 or more (30%)	49.3	39.1	22.9	35.0	39.7	4.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2-Parent Families						
$0 - $12,000 (10.1%)	.4	3.9	16.5	17.6	10.2	19.2
$12,001 - $20,700 (15.6%)	9.7	11.7	31.5	18.7	18.6	40.8
$20,701 - $32,050 (24.6%)	25.0	23.5	25.2	22.8	27.5	35.4
$32,051 or more (49.7%)	65.0	60.8	26.8	41.0	43.7	4.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1-Parent Families						
$0 - $12,000 (58.5%)	9.5	34.7	52.0	32.9	30.7	41.6
$12,001 - $20,700 (20.7%)	42.1	34.3	34.1	34.0	35.0	39.3
$20,701 - $32,050 (13.6%)	31.6	20.5	11.0	22.2	23.3	17.0
$32,051 or more (7.2%)	16.8	10.4	2.9	10.9	11.0	2.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SOURCE: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.

Note: This work is funded in large part by the U.S. Department of Health and Human Services

1. "Family" is a nuclear family or unrelated individual, not including subfamilies. Income is CPS-reported cash income.

2. In the Schulze tax credit columns, the tax expenditure is due to both the current dependent care credit and the proposed Schulze toddler tax credit. Tax units using the Schulze credit become ineligible for the EITC.

3. In the Tauke tax credit column, the tax expenditure is due to both the current dependent care credit and the proposed Tauke tax credit.

August 1, 1988

TRIM2 Simulations of Childcare Proposals

Analysis of Benefits Provided by Dependent Care Credit and/or Per-Child Credit:
Average Tax Credit Received, by Level of Family Income[1]

(All dollar figures are in 1985 dollars)

Families, by Level of Income (percent of families in category)	1988 Current Law	Refundable Credit	Wallop-Holloway Credit	Schulze Credit, phase-in[2]	Schulze Credit, final[2]	Tauke Tax Credit[3]
All Families						
$0 - $12,000 (30%)	$255	$333	$323	$750	$905	$348
$12,001 - $20,700 (20%)	$340	$395	$438	$457	$856	$489
$20,701 - $32,050 (20%)	$309	$314	$263	$361	$846	$313
$32,051 or more (30%)	$360	$360	$183	$360	$799	$115
All incomes	$336	$351	$283	$426	$835	$346
2-Parent Families						
$0 - $12,000 (10.1%)	$134	$233	$401	$828	$1,026	$400
$12,001 - $20,700 (15.6%)	$222	$255	$451	$428	$921	$488
$20,701 - $32,050 (24.6%)	$260	$260	$262	$340	$884	$305
$32,051 or more (49.7%)	$350	$350	$183	$355	$812	$108
All incomes	$305	$306	$283	$404	$869	$344
1-Parent Families						
$0 - $12,000 (58.5%)	$274	$356	$245	$624	$705	$272
$12,001 - $20,700 (20.7%)	$455	$523	$390	$538	$674	$502
$20,701 - $32,050 (13.6%)	$446	$458	$275	$485	$621	$423
$32,051 or more (7.2%)	$461	$466	$193	$463	$556	$244
All incomes	$426	$434	$282	$540	$655	$357

SOURCE: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.

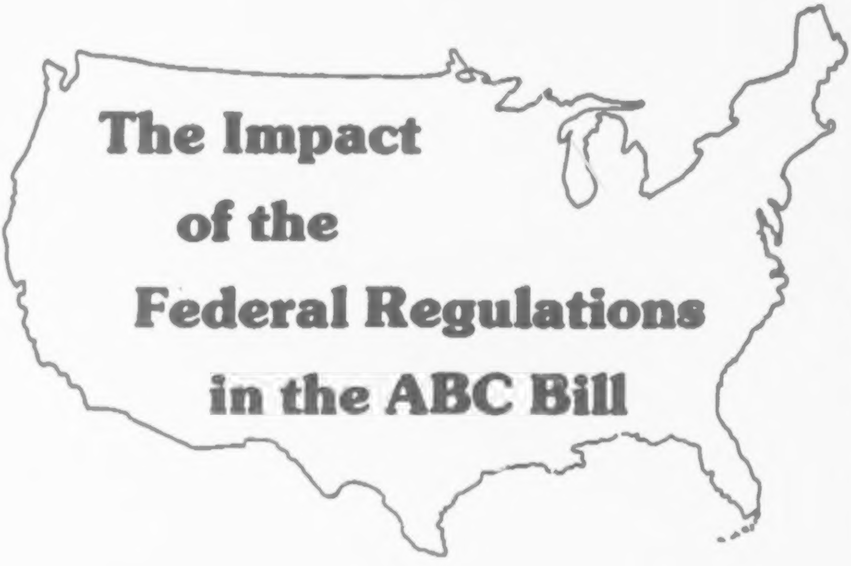
Note: This work is funded in large part by the U.S. Department of Health and Human Services

1. "Family" is a nuclear family or unrelated individual, not including subfamilies. Income is CPS-reported cash income.

2. In the Schulze tax credit columns, the tax expenditure is due to the current dependent care credit and/or the proposed Schulze toddler tax credit. Tax units using the Schulze credit become ineligible for the EITC.

3. In the Tauke tax credit column, the tax expenditure is due to the current dependent care credit and/or the proposed Tauke tax credit.

COVER STORY



The Impact of the Federal Regulations in the ABC Bill

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The ABC Bill (H.R. 3660 and S. 1885), which is supposed to improve the affordability and availability of licensed child care, will actually increase the cost of child care for parents and may result in the closing of more than 20 percent of all the licensed child care centers in the United States.

These are some of the major findings of a study conducted by *Child Care Review*. The magazine study analyzed the effects the federal standards outlined in the ABC Bill would have on licensed child care nationwide.

The ABC Bill is a $2.5 billion federal child care bill that has amassed considerable political support in both houses of the U.S. Congress. (See related story in this issue; also, "ABC Bill neglects church-run and private sector programs, opponents claim," February, 1988, *Child Care Review*, pages 6-14.)

The survey found that federal standards will increase the cost of licensed child care for parents by nearly $1.2 billion a year. Nationwide, that represents an increase in tuition costs for parents of $6.76 per child per week (or $351 per year).

The federal standards would also result in the closing of an estimated 12,630 licensed child care facilities, or 20.3 percent of all the licensed centers presently in operation.

The study also found that the implementation of federal standards would displace thousands of children who are already in licensed child care facilities.

According to projections by *Child Care Review*, the federal standards proposed in the ABC Bill would displace 786,400 children who are presently enrolled in licensed child care facilities and who are, for the most part, not receiving government child care subsidies. (That total displacement represents 19.7 percent of all the children currently enrolled in licensed child care facilities nationwide.)

However, the displacement of these non-subsidized children should be offset by the placement of more government-subsidized children in licensed child care environments, the study found.

Further, the bill's negative impact will not be felt equally by all states. Rather, the licensed facilities, parents, and children in ten southern states will absorb nearly four-fifths of the total cost increase, center closings, and child displacements.

Federal standards

For states to be eligible for federal funding under the law, they must adopt as their new licensing standards the median standards of all the states. However, states which have licensing standards that are more restrictive than the median will not be allowed to modify their licensing regulations accordingly. Rather those states must maintain their stricter requirements in order to remain eligible for federal funding.

These new federal standards include the median staff-child ratios of all 50 states.

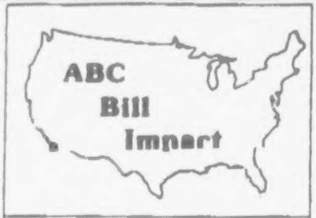
According to last year's *Child Care Review* survey of all 50 states' licensing departments, the median staff-child ratios which the ABC Bill would therefore require are as follows: 1-5 for one-year-olds; 1-8 for two-year-olds; 1-10 for three-year-olds; 1-12 for four-year-olds; and 1-15 for five-year-olds.

Child care center owners, directors, and administrators maintain that staffing is the single greatest contributor to the cost of child care. Consequently, they maintain, more restrictive staff-child ratios would raise the cost of child care to parents.

A separate survey conducted by *Child Care Review* last year determined the national average for weekly tuitions in child care centers was $53.30. That survey also found that 51 percent (or $27.18) of the total tuition cost goes directly to pay staff wages. (This does not include another 11-12 percent of the total tuition cost that goes to pay for required employer payments for state and federal unemployment insurance, F.I.C.A., and workman's compensation.)

In assessing the cost impact on parents in each state, the magazine's new study compared the staff-child ratios for each age group in each state against the median federal standards endorsed in the ABC Bill.

For example, if a state currently has a 1-6 staff-child ratio which must be lowered to 1-5, that means the additional $27.18 actual staff cost in that



average weekly tuition must be absorbed by the remaining five parents whose children are in that age grouping. That would raise those parents' weekly tuition rates by $5.44.

As another example, if a state has a ratio of 1-10 in an age group that must be modified to 1-8, that means two $27.18 staff costs (or $54.36) must be absorbed by the remaining eight parents. That represents an increase of $6.80 per week in tuition costs for those parents.

Since a number of states will find some but not all of their staff-child ratios affected by the proposed federal standards, the magazine study weighted the effects of the regulation change according to the number of children in each age grouping.

For instance, there are considerably more three- and four-year-olds in licensed care than one- and two-year-olds. Therefore, more children will be affected by a regulatory change in a state's three- and four-year-olds ratios than in its ratios for one-year-olds. And the *Child Care Review* study reflects that adjustment.

South most affected

Not all states and not all parents will be equally affected. If a state's staff-child ratio for a particular age grouping is the same as or more restrictive than the median ratio for that age group, there will be no tuition increase.

Fifteen states should experience no tuition increases, center closings, or child displacements as a result of the ABC Bill. Those states are Connecticut, Indiana, Iowa, Maine, Maryland, Massachusetts, Montana, New Hampshire, New York, North Dakota, Pennsylvania, South Dakota, Vermont, Virginia, and West Virginia.

However, 42 percent of all licensed child care is in 10 southern states, and this is the region of the country which will be most affected by the implementation of new federal regulations.

Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Texas account for 1,412,076 of the 3,317,349 licensed child care slots in the United States.

Parents in those ten southern states will absorb $938,175,000 (or 79.1 percent) of the total $1.2 billion increase in tuition costs. The average weekly tuition increase for southern parents will be $12.78.

Of the projected 786,400 children who will be displaced because of federal regulations, 661,800 of those children (or 84.2 percent) will be in the south.

And, of the 12,630 child care centers nationwide that will be forced to close because of declining enrollments, 10,300 of those centers (or 81.6 percent) will be in the south.

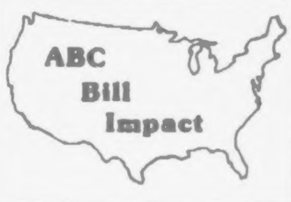
Hit hardest by the implementation of staff-child ratios are the two states which lead the nation in availability of licensed child care — Florida and Texas.

Florida has enough licensed child care slots to accommodate 80 percent of the children in that state reportedly in need of licensed child care, and Texas has enough licensed child care to accommodate 75 percent of the children in that state in need of care.

However, Florida parents will pay an average weekly tuition increase of $16.21, and Texas parents will pay a weekly tuition increase of $13.59. As a

← Key to State-By-State Chart on Page 6 ——

(EDITOR'S NOTE: The first statistical column reflects the average per week increase in tuition payments non-subsidized parents can expect to pay for child care services. Since not all parents in all age groups will be affected by regulatory changes, this average reflects what the tuition increase would be if caregivers try to even out the cost impact for parents by increasing fees for all age groups, even those not affected by regulatory changes. Actual tuition increases for individual age groupings are significantly higher. States showing no figure in a column should experience no negative effect in that particular category.)



result, the parents in those two states will be absorbing more than 44 percent of the nation's total tuition increase.

Of the projected 12,630 child care centers that will close nationwide because of increased cost of licensed child care, 5,550 will come from Florida and Texas alone.

Affordable rates

The reason for the increased availability of licensed child care in the south and certain other states is directly related to staff-child ratios.

For instance, Mississippi, which has half the population of Minnesota but twice as many children in licensed child care, requires one adult for every 20 four-year-olds, while Minnesota requires a 1-10 ratio.

The combined licensed capacities of Michigan and Ohio do not even equal the licensed child care capacity of Florida, a state with a comparable population to the two. And, while Florida mandates a 1-20 ratio for four-year-olds, Michigan mandates a 1-12 ratio and Ohio a 1-14 ratio.

Despite a depressed oil economy which has the state government making severe budget cuts, Texas has more licensed child care than any other state in the nation. In fact, it has 82,000 more children in licensed child care than California, a state with 9.4 million more people. Again, the widespread availability of licensed child care in Texas is directly attributable to its more liberal staff-child ratios.

In fact, under the present system of state regulations, 40 percent of the children reportedly in need of licensed child care nationwide can be served by available licensed child care slots.

Under the new federal standards, as outlined in the ABC Bill, however, only 32 percent of the children in need of child care will be able to afford child care. This decline will be offset by more government subsidies. But those subsidies will not help many of those children who will be displaced.

For instance, of the 786,400 children who will be displaced because of the higher tuition costs, 420,400 of those children will be in two states — Florida and Texas.

Since the ABC Bill is not designed to overcompensate those states which will be most affected by the implementation of new federal regulations, it follows that, while the ABC Bill's federal regulations are displacing children in Florida, for instance, it will be subsidizing more child care for children in other states, especially in the northeast, which has the lowest amount of available child care.

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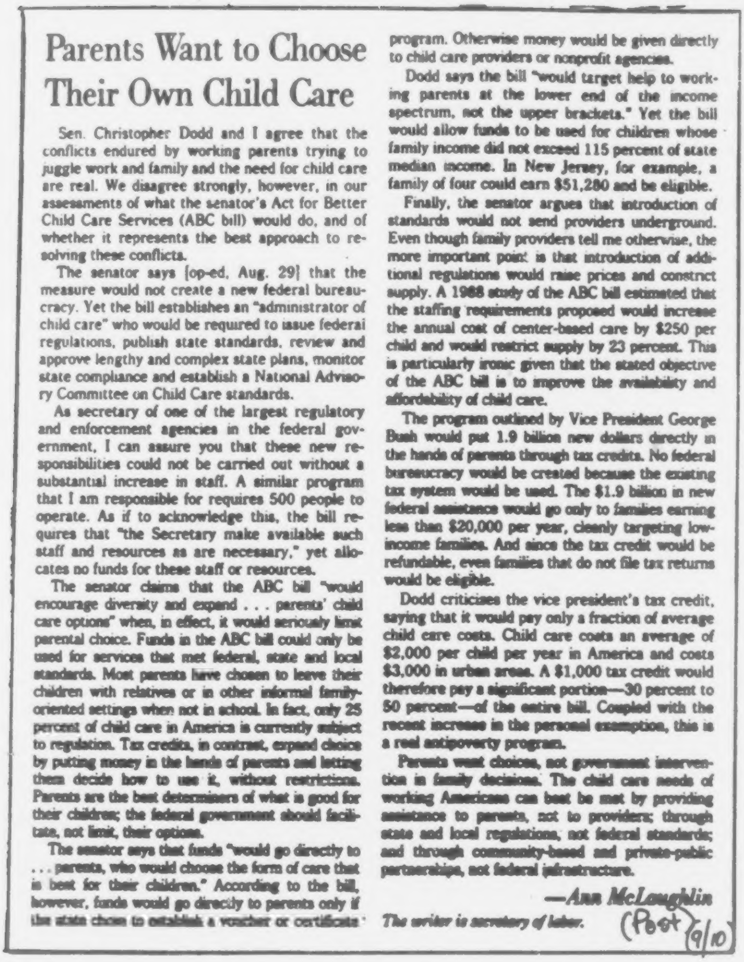
Effect of ABC Bill's Proposed Federal Regulations: State-by-State

State	Per Week Tuition Increase	Total Annual Tuition Increase All Parents	Licensed Capacity Decline Statewide	Decline Licensed Centers Statewide
Alabama	$8.80	$22.893.000	100	—
Alaska	$0.32	$111,000	—	—
Arizona	$15.45	$49.806.000	25,000	330
Arkansas	$6.30	$14.971.000	15.200	590
California	$2.58	$$52.969.000	48.400	940
Colorado	$0.32	$795.000	400	10
Connecticut	—	—	—	—
Delaware	$13.12	$5.458,000	800	10
D.C.	—	—	—	—
Florida	$16.21	$207,401.000	147.100	2.450
Georgia	$7.93	$45.836,000	29,900	420
Hawaii	$6.97	$7,943,000	7.500	140
Idaho	$2.97	$1.779,000	—	—
Illinois	$1.78	$10.760,000	—	—
Indiana	—	—	—	—
Iowa	—	—	—	—
Kansas	$1.94	$4,608,000	6,100	120
Kentucky	$4.10	$10,035,000	—	—
Louisiana	$9.13	$62,929,000	66,700	1,330
Maine	—	—	—	—
Maryland	—	—	—	—
Massachusetts	—	—	—	—
Michigan	$0.32	$1.710,000	—	—
Minnesota	$0.32	$645,000	—	—
Mississippi	$10.44	$37.871,000	32,400	540
Missouri	$0.36	$794.000	—	—
Montana	—	—	—	—
Nebraska	$0.22	$160,000	—	—
Nevada	$5.19	$4,634,000	6.000	210
New Hampshire	—	—	—	—
New Jersey	$3.19	$17,515,000	9,000	160
New Mexico	$10.50	$9,713,000	—	—
New York	—	—	—	—
North Carolina	$15.99	$106,867,000	58,500	1,170
North Dakota	—	—	—	—
Ohio	$4.86	$29,548,000	—	—
Oklahoma	$4.60	$14.690,000	16.200	360
Oregon	$0.32	$462,000	—	—
Pennsylvania	—	—	—	—
Rhode Island	$15.13	$4,720,000	—	—
South Carolina	$25.60	$80,910,000	19.400	390
South Dakota	—	—	—	—
Tennessee	$4.66	$22,190,000	19,200	310
Texas	$13.59	$336,307,000	273,300	3.100
Utah	$9.07	$11,322,000	5,200	50
Vermont	—	—	—	—
Virginia	—	—	—	—
Washington	$0.45	$926,000	—	—
West Virginia	—	—	—	—
Wisconsin	$1.52	$4,041,000	—	—
Wyoming	$4.21	$1,613,000	—	—
Totals	**$6.76**	**$1,184,922,000**	**786,400**	**12,630**



Parents Want to Choose Their Own Child Care

Sen. Christopher Dodd and I agree that the conflicts endured by working parents trying to juggle work and family and the need for child care are real. We disagree strongly, however, in our assessments of what the senator's Act for Better Child Care Services (ABC bill) would do, and of whether it represents the best approach to resolving these conflicts.

The senator says [op-ed, Aug. 29] that the measure would not create a new federal bureaucracy. Yet the bill establishes an "administrator of child care" who would be required to issue federal regulations, publish state standards, review and approve lengthy and complex state plans, monitor state compliance and establish a National Advisory Committee on Child Care standards.

As secretary of one of the largest regulatory and enforcement agencies in the federal government, I can assure you that these new responsibilities could not be carried out without a substantial increase in staff. A similar program that I am responsible for requires 500 people to operate. As if to acknowledge this, the bill requires that "the Secretary make available such staff and resources as are necessary," yet allocates no funds for these staff or resources.

The senator claims that the ABC bill "would encourage diversity and expand . . . parents' child care options" when, in effect, it would seriously limit parental choice. Funds in the ABC bill could only be used for services that met federal, state and local standards. Most parents have chosen to leave their children with relatives or in other informal family-oriented settings when not in school. In fact, only 25 percent of child care in America is currently subject to regulation. Tax credits, in contrast, expand choice by putting money in the hands of parents and letting them decide how to use it, without restrictions. Parents are the best determiners of what is good for their children; the federal government should facilitate, not limit, their options.

The senator says that funds "would go directly to . . . parents, who would choose the form of care that is best for their children." According to the bill, however, funds would go directly to parents only if the state chose to establish a voucher or certificate program. Otherwise money would be given directly to child care providers or nonprofit agencies.

Dodd says the bill "would target help to working parents at the lower end of the income spectrum, not the upper brackets." Yet the bill would allow funds to be used for children whose family income did not exceed 115 percent of state median income. In New Jersey, for example, a family of four could earn $51,280 and be eligible.

Finally, the senator argues that introduction of standards would not send providers underground. Even though family providers tell me otherwise, the more important point is that introduction of additional regulations would raise prices and constrict supply. A 1988 study of the ABC bill estimated that the staffing requirements proposed would increase the annual cost of center-based care by $250 per child and would restrict supply by 23 percent. This is particularly ironic given that the stated objective of the ABC bill is to improve the availability and affordability of child care.

The program outlined by Vice President George Bush would put 1.9 billion new dollars directly in the hands of parents through tax credits. No federal bureaucracy would be created because the existing tax system would be used. The $1.9 billion in new federal assistance would go only to families earning less than $20,000 per year, cleanly targeting low-income families. And since the tax credit would be refundable, even families that do not file tax returns would be eligible.

Dodd criticizes the vice president's tax credit, saying that it would pay only a fraction of average child care costs. Child care costs an average of $2,000 per child per year in America and costs $3,000 in urban areas. A $1,000 tax credit would therefore pay a significant portion—30 percent to 50 percent—of the entire bill. Coupled with the recent increase in the personal exemption, this is a real antipoverty program.

Parents want choices, not government intervention in family decisions. The child care needs of working Americans can best be met by providing assistance to parents, not to providers; through state and local regulations, not federal standards; and through community-based and private-public partnerships, not federal infrastructure.

—Ann McLaughlin

The writer is secretary of labor.

(Post) 9/10